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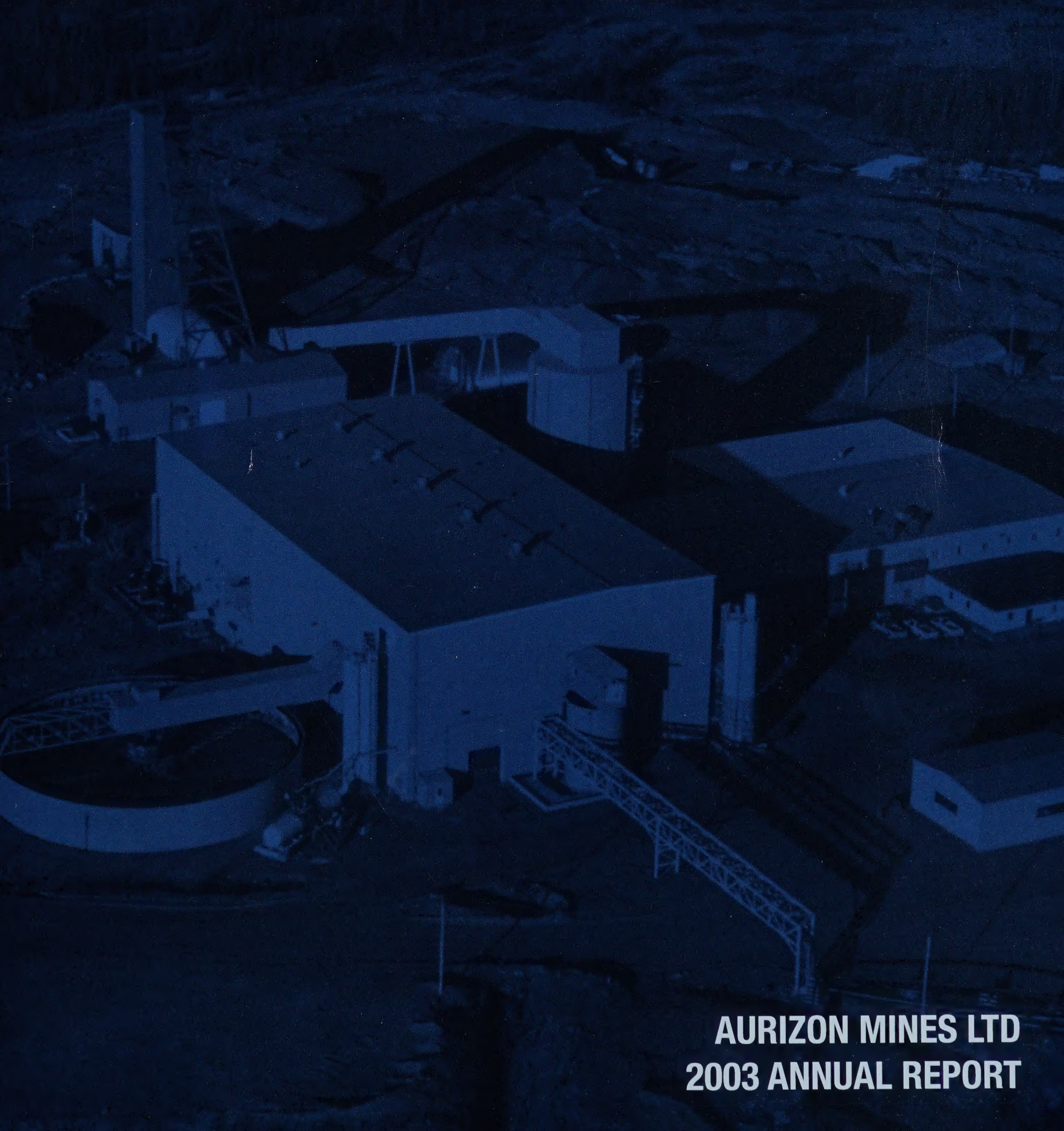
# AURIZON



AURIZON MINES LTD
2003 ANNUAL REPORT

## Aurizon Mines Ltd.

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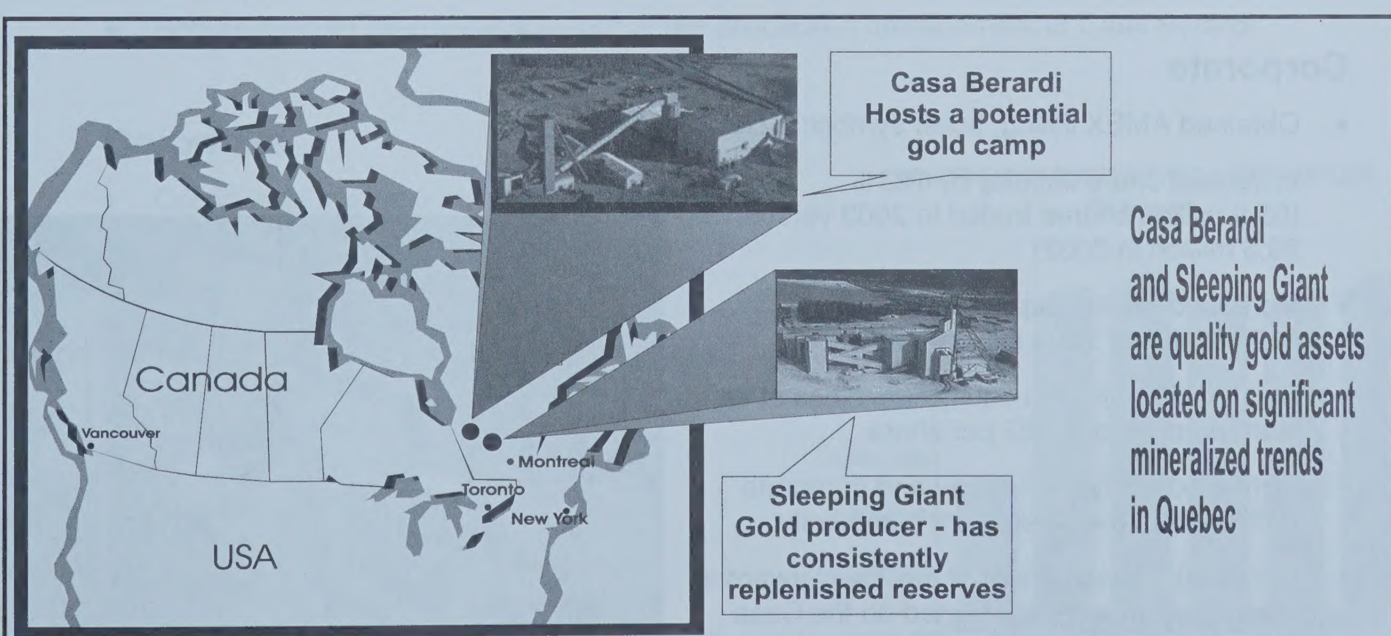


# Accomplishments, Plans and Objectives

## 2003 Accomplishments

### Casa Berardi

- Resource estimate doubled in newly discovered Zones 118 -120
- Gold mineralization extended 300 metres east of known resources
- Ramp extension to Zone 113 completed
- Definition drilling on Zone 113 commenced

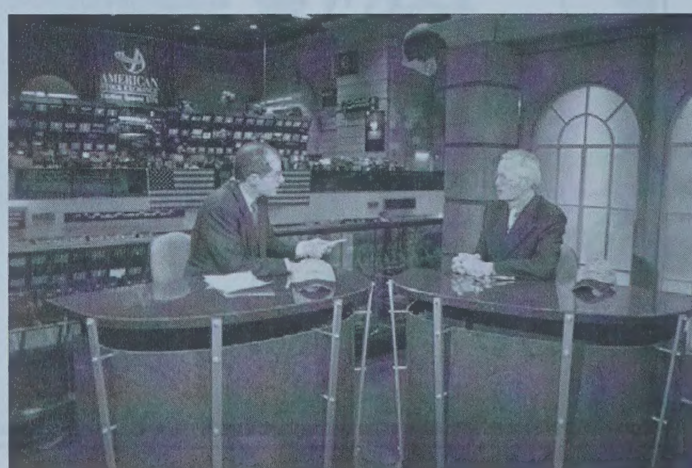
Setting off the first underground blast at Casa Berardi's new Zone 113 Project Development

### Sleeping Giant

- Shaft deepening program completed, providing access to the 8 and 30 Zones on three new levels and allowing for the establishment of new exploration drill bases
- Gold production increased to 66,600 (Aurizon's portion - 33,300) ounces in 2003

### Corporate

- Obtained AMEX listing, ticker symbol: AZK
- Increased share liquidity by 123% (65.9 million shares traded in 2003 versus 29.5 million in 2002)
- Increased market capitalization from $100 million to $200 million
- Raised $27 million in equity financings at an average price of $1.87 per share
- Increased analyst coverage and corporate profile within the investment community
- Received "Development of the Year" award in recognition of work completed on the Casa Berardi project by the Quebec Mineral Exploration Association ("AEMQ")

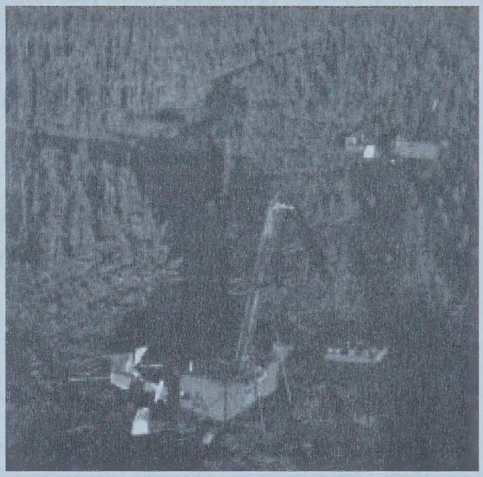



David Hall is interviewed after Aurizon lists on the American Stock Exchange – November 10, 2003

# 2004 Plans and Objectives

## Casa Berardi

- Complete underground definition drilling program, within budget and on schedule
- Finalize mining plans
- Complete updated bankable feasibility study
- Explore new target areas



Exploration Drilling at Casa Berardi

## Sleeping Giant

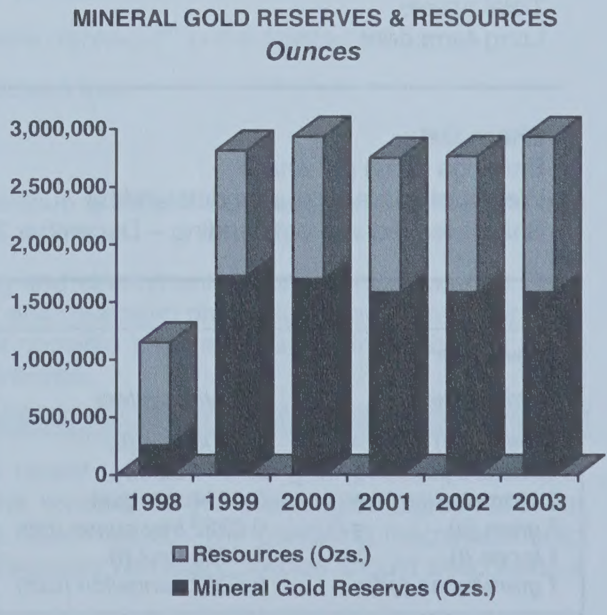
- Increase gold production to 68,000 ounces
- Increase reserves and resources
- Explore high potential areas of the mine, particularly Zones 30 West, 6 and 7

## Financial

- Secure funding for commencement of pre-production development at Casa Berardi

## Corporate

- Continue to increase investor awareness and recognition
- Increase share liquidity
- Investigate corporate opportunities to increase the Company's reserve base and production profile



# FINANCIAL HIGHLIGHTS

| | **2003** | 2002 | 2001 |
|---|---|---|---|
| **Production** | | | |
| Gold production (ozs) | 33,300 | 33,050 | 31,900 |
| Ore milled (tonnes) | 176,500 | 202,800 | 214,067 |
| Total cash cost (US$ per oz) | $266 | $242 | $236 |
| Total production cost (US$ per oz) | $325 | $288 | $272 |
| **Mineral Reserves – Gold (ounces)** | | | |
| Producing properties | 79,200 | 77,400 | 79,000 |
| Non-producing properties | 1,505,500 | 1,505,500 | 1,505,500 |
| **Total mineral reserves** | **1,584,700** | **1,582,900** | **1,584,500** |
| **Mineral Resources – Gold (ounces)** | | | |
| Producing properties | 55,500 | 54,600 | 38,500 |
| Non-producing properties | 1,293,000 | 1,129,000 | 1,129,000 |
| **Total mineral resources** | **1,348,500** | **1,183,600** | **1,167,500** |
| **Financial Results (C$000)** | | | |
| Total revenue | $18,060 | $17,029 | $14,573 |
| Earnings (loss) | (301) | (2,944) | (6,235) |
| Operating cash flow | 3,826 | 233 | (2,761) |
| Realized gold price (US$ per oz) | 375 | 310 | 276 |
| **Financial Position (C$000)** | | | |
| Cash & cash equivalents | $27,081 | $12,442 | $1,787 |
| Working capital | 27,908 | 12,005 | 1,199 |
| Total assets | 78,611 | 43,492 | 30,193 |
| Long-term debt | - | - | 4,204 |
| **Share Data:** | | | |
| Earnings (loss) per share | ($0.00) | ($0.06) | ($0.16) |
| Weighted average shares outstanding | 81,762,760 | 51,942,493 | 39,013,351 |
| Shares issued and outstanding – December 31st | 97,362,619 | 63,002,937 | 40,262,766 |

Conversion Table

| *Metric system* | | *Imperial system* |
|---|---|---|
| *1 metre (m)* | = | *3.2808 feet (ft)* |
| *1 hectare (ha)* | = | *2.4711 acres* |
| *1 kilometre (km)* | = | *0.6214 mile (mi)* |
| *1 gram (g)* | = | *0.0322 troy ounce (oz)* |
| *1 tonne (t)* | = | *1.1023 tons (t)* |
| *1 gram/tonne (g/t)* | = | *0.0292 ounce/ton (oz/t)* |

Aurizon's gold production costs are reported in accordance with the Gold Institute Production Cost Standard

# REPORT TO SHAREHOLDERS

**Fellow Shareholders,**

2003 was an outstanding year for Aurizon. Our Company completed equity financings, netting $27 million, obtained a listing for its shares on the American Stock Exchange, and committed major investments in exploration and development programs which should reap rewards as the gold price continues its uptrend.

## Operational Performance

Annual gold production from Sleeping Giant was comparable to the previous year at 33,300 ounces, although total cash costs increased to US$266 per ounce, primarily due to the stronger Canadian dollar.

During the year we approved a proposal to deepen the shaft and add three new production levels. This program should extend the mine life at Sleeping Giant by two years and provide the opportunity to find more ounces within reach of infrastructure.

## Financial Results

Aurizon strengthened its balance sheet during 2003, finishing the year with cash of $27 million, which is more than sufficient to fund the major work programs in progress at both properties.

## Casa Berardi

In 2003 we completed a major initiative at Casa Berardi by providing underground access to Zone 113 at the West Mine, through an extension of the existing ramp down to the 550 metre level. This access has enabled us to conduct close-spaced definition drilling which has confirmed the continuity and grade of Zone 113, the major zone at the West Mine. In addition, it will enable us to reduce the shaft construction time, by raising up to surface, and to develop the higher grade Zone 113 sooner. Both of these steps should have a positive impact on the resulting project economics.

Our surface exploration programs at Casa Berardi have continued to generate interesting targets for subsequent follow-up by close spaced underground drilling. Exploration potential at Casa Berardi remains excellent for the following reasons:

- Ore zones are open on strike and to depth
- Depth of exploration activity is still relatively shallow (1,000 metres)
- High gold distribution factor of 6,200 ounces per vertical metre (ranked 4$^{th}$ in the Abitibi gold camp)
- Prospective land position covering 37 km along the Casa Berardi fault
- Low discovery cost of US$6 per ounce

We intend to maintain an active surface exploration program to continue to unlock the untapped potential and add ounces and value to the project.

One of the most satisfying accomplishments this year was building and strengthening our technical team at Casa Berardi. We have assembled a team of very experienced, talented and dedicated professionals who are committed to moving Casa Berardi forward to production within the shortest possible timeframe, at minimum capital costs without prejudicing our high standards for safety and good mining practice.

## Outlook

We continue to believe that for various fundamental reasons the recent uptrend in the gold price will continue. On the physical supply and demand side, the combination of the renewal of the Washington agreement, flat worldwide production and producer de-hedging all should result in higher prices. The prevailing macro-economic conditions of high debt levels, weakening global currencies and reflationary monetary policies should also create a positive situation for increasing gold prices.

Our prime objective for 2004 is to complete an updated bankable feasibility study for the Casa Berardi project. In doing so, we will explore all opportunities to reduce the pre-production period, decrease the capital costs and strengthen the project economics. In addition, exploration activity will increase as the year progresses, to test targets in the area of the East Mine, to the west of the West Mine and at depth at the West Mine.

## The Trend is Your Friend


Modified from M. Murenbeeld & Associates Inc.

### Appreciation

We would like to express our gratitude to our employees for their commitment and initiative. We also appreciate the support and co-operation of all Aurizon's stakeholders.

Mr. Gérard Gagné has advised that he will not seek re-election due to other commitments. We appreciate his contribution during his term of service as a director and wish him well in his future activities.

We look forward to another year of positive developments, successful accomplishments and strong gold prices and remember…

**"The Trend is Your Friend"**

April 23, 2004

David P. Hall,
Chairman, President and Chief Executive Officer

# CASA BERARDI PROJECT

## Introduction:

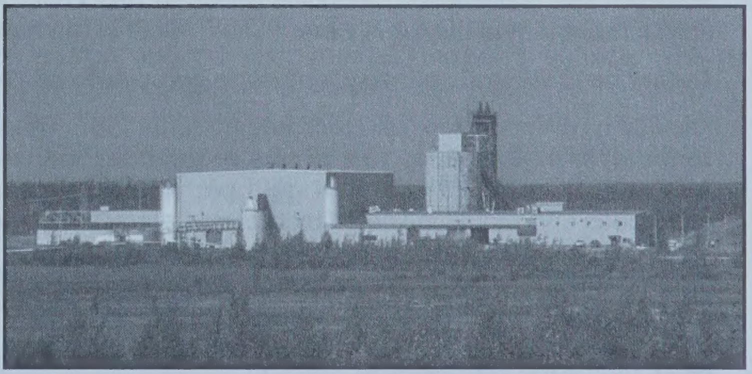
In the late 1990's, Aurizon decided to look at acquiring quality gold projects, in a top mining jurisdiction like Quebec, in order to grow the company's reserve and production base. This search for high-potential assets resulted in the acquisition of Casa Berardi in 1998. It was recognized that the key to returning this deposit to active mine status was discovering enough new ounces of gold to sustain consistent production over a long life. The purchase of Casa Berardi was predicated by the belief that **the best place to find gold...is in a gold mine.**

The acquisition proved to be a good strategic move. Over 1.0 million ounces of gold were discovered at Casa Berardi in the year following the acquisition. A feasibility study initiated in 1999 and completed in 2000, indicated that Casa Berardi was a feasibly economic project at a US$305 gold price. However, a falling gold price put the Casa Berardi project on hold until mid 2002, when a rising gold price re-awakened investor interest in the gold mining sector. Money was raised to continue exploration, which resulted in the discovery of additional gold zones. Further financings have led to the current updating of engineering studies and underground development of Zone 113. Met-Chem Canada Inc. is expected to deliver an updated feasibility to Aurizon in October, 2004. This document will outline the parameters of a future mining operation at Casa Berardi.

## Project description/History

The Casa Berardi project is situated 95 kilometres north of the town of La Sarre, in the Abitibi region of northwestern Quebec, one of the most prolific gold producing regions in the world. The property covers an area of 14,000 hectares along a 37 kilometre section of the Casa Berardi fault. The East and West Mines are approximately 5 kilometres apart in the central part of the Casa Berardi property.

Total production from the East and West Mines from 1988 to 1997 was 3.75 million tonnes at an average grade of 6.7 grams of gold per tonne, or 690,000 recovered ounces.



Both mines are accessible by ramp and are connected by an underground track drift. Existing infrastructure at Casa Berardi includes a 2,200 tonne per day mill with expansion capacity to 2,800 tonnes per day, power lines, road access, a tailings pond, and an extensive fleet of mining equipment. Aurizon holds a 100% interest in the Casa Berardi project. Mining permits are in place.

## Surface Exploration

Immediately after acquiring the property, Aurizon commenced an initial diamond drill program with the objective of increasing the gold mineral inventory in the West Mine area from 500,000 ounces to 1,000,000 ounces. The program, which was completed in August 1999, totaled 271 drill holes, or 76,582 metres, and was extremely successful in discovering an additional 1.3 million ounces contained in two new Zones (113 and 118) situated to the east of and at depth from the previously identified zones in the West Mine area. The new resources were discovered at a low cost of US$6 per ounce.

A deep exploration diamond drill program, to further expand resources and ultimately increase the reserves, was completed in the second half of 2003. This program, which started in the second quarter of 2002, consisted of 54 surface drill holes totaling 26,899 metres, and led to the doubling of the inferred resource estimate of the Zones 118-120 to 1.7 million tonnes at a grade of 6.1 grams per tonne, for 332,000 ounces of gold.

In addition, results from the 2003 drill campaign have successfully extended mineralization over 1,000 metres east of the proposed shaft location and extended the inferred resources 700 metres east of the known reserves in the West Mine. Results to date have also confirmed the dip extension of the Principal Zones south of the Casa Berardi fault.

The surface exploration program, which will total a minimum of 20,000 metres in 2004, has now moved to the East Mine, which produced 1,682,000 tonnes at 6.34 grams/tonne or approximately 344,200 ounces of gold between 1988 and 1997. Compilation by Aurizon, of drilling completed by the previous mine operator, indicates the potential to find new resources at the East Mine. Significant gold intersections were obtained at the edge of the area covered by previous drilling, such as 10.3 grams/tonne over 9.8 metres, 11.7 grams/tonne over 16.0 metres and 5.5 grams/tonne over 12.1 metres. Also, mineralization is present on both sides of the Casa Berardi fault in a similar geological context to the West Mine and Principal Zones, which are respectively located south and north of the Casa Berardi fault.

As the area covered by previous exploration is restricted to a 50 metre corridor surrounding the East Mine underground infrastructure, the current program will primarily focus on wide spaced drilling in order to define priority targets. Follow-up, closer-spaced surface and underground drilling of the most significant results will follow.

## Underground Definition Drill Program

In December of 2002, Aurizon announced an underground exploration program at Casa Berardi to access Zone 113 to increase the level of confidence of the grade and continuity of the mineralization. The plan called for the extension of the main ramp from the West Mine to the 550 metre level, the development of a 450 metre exploration drift, the detailed drilling of Zone 113, and access of the mineralized zone to test the continuity of the mineralization and to provide samples for metallurgical testwork.

To date, Aurizon has completed the ramp extension from the 450 metre level to 550 metre level, developed 320 metres of the exploration drift, which is now planned at 505 metres, and completed a crosscut of 145 metres through Zone 113 and the Casa Berardi fault.

An underground drill program, using two rigs, commenced in November, 2003, with an initial hole spacing of 25 metres (lateral) by 50 metres (vertical). The final hole spacing is planned at 25 metres (lateral) by 25 metres (vertical).

To date, results have been received from 58 holes along six different vertical sections and horizontal fan drilling from the 550 metre level. All holes drilled to test Zone 113 have intersected a 20 to 70 metre wide mineralized corridor adjacent to the Casa Berardi fault. Most of the holes have been drilled through the Casa Berardi Fault.

### *Definition Drilling Confirms Continuity and Grade of Zone 113*

Results have confirmed the continuity of Zone 113. The most significant results include **13.8 grams of gold per tonne over 39.0 metres, 13.8 grams of gold per tonne over 16.3 metres, 19.1 grams of gold per tonne over 19.1 metres and 12.6 grams of gold per tonne over 14.5 metres.** The current definition drill program confirms the grades and widths indicated by previous surface exploration holes.

Final results from the 40,000 metre drill program will upgrade the quality of the ore reserve generated in 2000 and will be incorporated into an updated feasibility study scheduled for completion in October, 2004.

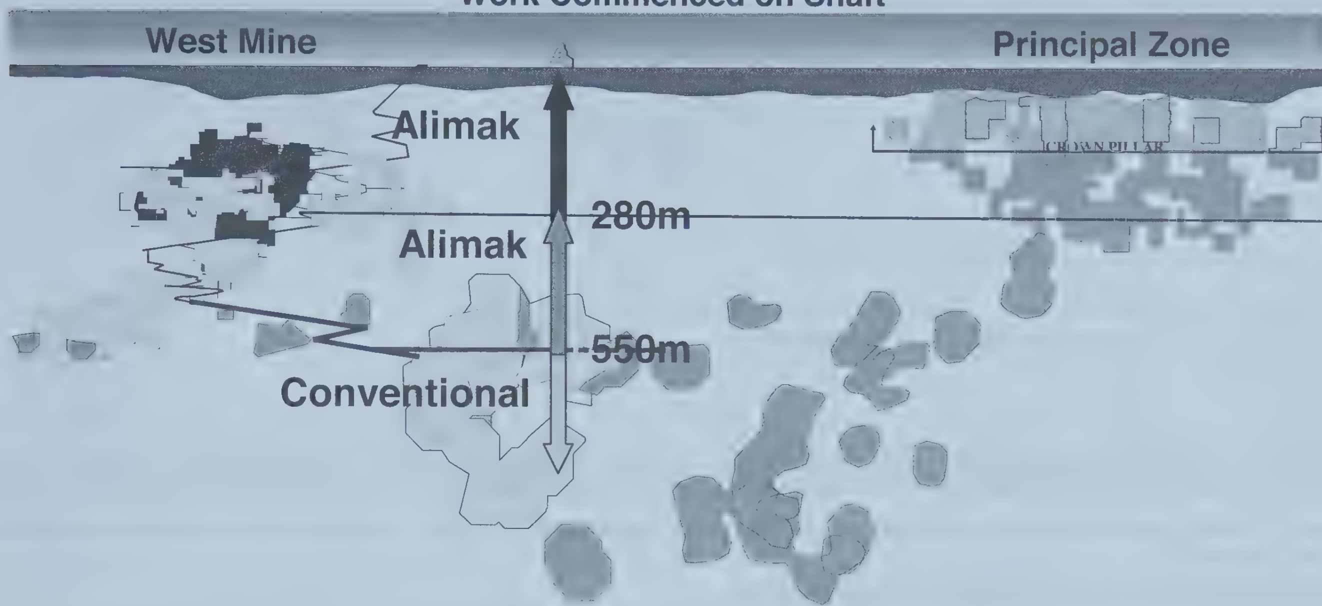
## 2000 Feasibility Study

In early 2000, Aurizon, with the assistance of several independent consultants, completed a technical and economic evaluation of the West Mine's measured and indicated resources. This evaluation established mineral reserves of 6.9 million tonnes at an average grade of 6.7 grams per tonne or 1.5 million ounces.

The study envisaged sinking a 1,033 metre vertical shaft capable of sustaining ore production of 4,500 tonnes per day. With minor modifications, the existing mill could operate at 2,800 tonnes per day, for an estimated annual production of 966,000 tonnes at a diluted mine grade averaging 6.7 grams per tonne, resulting in estimated average gold production of approximately 200,000 ounces per year. The pre-production period was estimated to take 30 months at an estimated capital cost of $121 million. Using an exchange rate of C$145 = US$1.00, the total cash costs were estimated at US$145 per ounce, over the initial estimated mine life of 7.5 years.

All exploitation permits and authorization certificates issued to the previous operators were transferred into Aurizon's name following acquisition of the project. Modified permits have been received allowing the extraction of 3,920 tonnes per day from the West Mine and the operation of the mill at 2,800 tonnes per day, in accordance with the feasibility study.

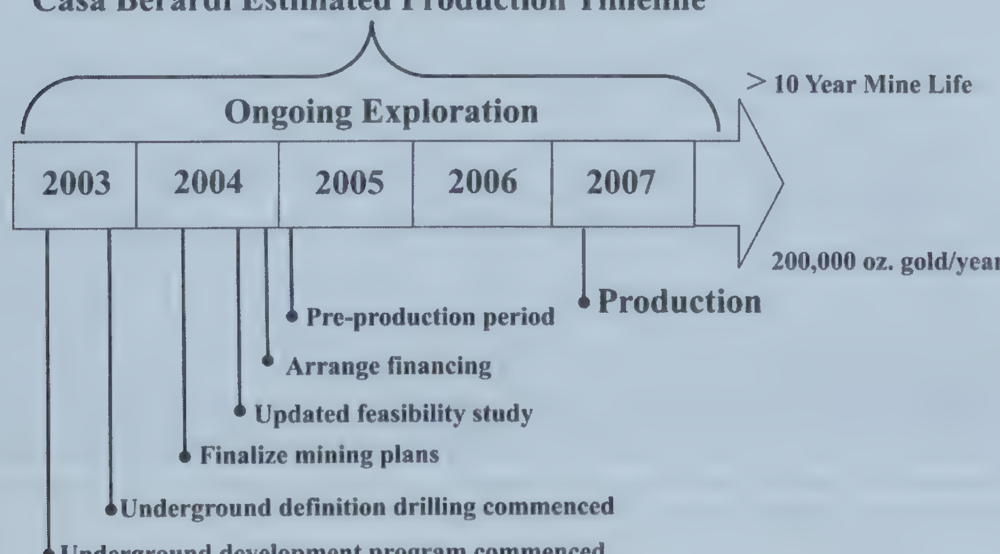
**Work Commenced on Shaft**




## 2004 Outlook – Bankable Feasibility Study

Aurizon's experienced technical team, with the assistance of Met-Chem Canada Inc. are presently working on an update of the 2000 feasibility study, which will provide detailed mining plans and updated current capital and operating cost estimates. As the definition drilling has confirmed the continuity of Zone 113, Aurizon and Met-Chem have agreed to initiate studies and work programs which should have a positive impact on reducing the pre-production schedule. Specifically, work has commenced on the shaft which will be constructed by driving two alimak raises simultaneously, one from 550 metres to 280 metres, and the other from 280 metres to surface. This method should significantly reduce the shaft construction schedule, compared to conventional sinking. In addition, due to the completion of the ramp access to Zone 113, development of this higher grade zone, which contains approximately 900,000 ounces of probable reserves at a diluted grade of 7.4 grams per tonne, can commence as soon as a production decision is made. The updated feasibility study is scheduled for completion in October, 2004.

**Casa Berardi Estimated Production Timeline**



## 2004 Outlook – Exploration

Exploration activity will escalate through 2004 to include underground and surface drilling in the area of the East Mine, underground drilling of deep targets from the 550 metre track drift at the West Mine, and surface drilling of targets situated west of the West Mine. This program will comprise at least 20,000 metres of drilling.


Q1 2004 Gravity survey – West of the West mine
Q2-Q4 2004 Surface rig – West of the West mine

## Mineral Reserves and Resources

**Casa Berardi**
**Mineral Reserves and Mineral Resources**

| | 2003 | | | 2000/2001/2002 | | | 1999 | | |
|---|---|---|---|---|---|---|---|---|---|
| | Tonnes (000's) | Grade G/tonne | Gold Ounces | Tonnes (000's) | Grade G/tonne | Gold Ounces | Tonnes (000's) | Grade G/tonne | Gold Ounces |
| Proven | 1,493 | 5.6 | 271,500 | 1,493 | 5.6 | 271,500 | 1,497 | 5.5 | 265,500 |
| Probable | 5,441 | 7.0 | 1,234,000 | 5,441 | 7.0 | 1,234,000 | 5,446 | 7.0 | 1,227,000 |
| **Mineral Reserves – West Mine** | **6,934** | **6.7** | **1,505,500** | **6,934** | **6.7** | **1,505,500** | **6,943** | **6.7** | **1,492,500** |
| West Mine | | | | | | | | | |
| Measured | 181 | 5.5 | 32,000 | 181 | 5.5 | 32,000 | 181 | 5.5 | 32,000 |
| Indicated | 345 | 4.7 | 52,000 | 345 | 4.7 | 52,000 | 345 | 4.7 | 52,000 |
| Inferred | 2,493 | 7.6 | 610,000 | 1,263 | 11.0 | 446,000 | 1,266 | 11.0 | 446,000 |
| Other | | | | | | | | | |
| Measured | 206 | 7.3 | 48,000 | 206 | 7.3 | 48,000 | 179 | 7.5 | 43,000 |
| Indicated | 1,365 | 6.5 | 285,000 | 1,365 | 6.5 | 285,000 | 277 | 6.2 | 55,000 |
| Inferred | 1,178 | 7.0 | 266,000 | 1,178 | 7.0 | 266,000 | 987 | 6.9 | 220,000 |
| **Mineral Resources** | **5,767** | **7.0** | **1,293,000** | **4,538** | **7.7** | **1,129,000** | **3,235** | **8.2** | **848,000** |

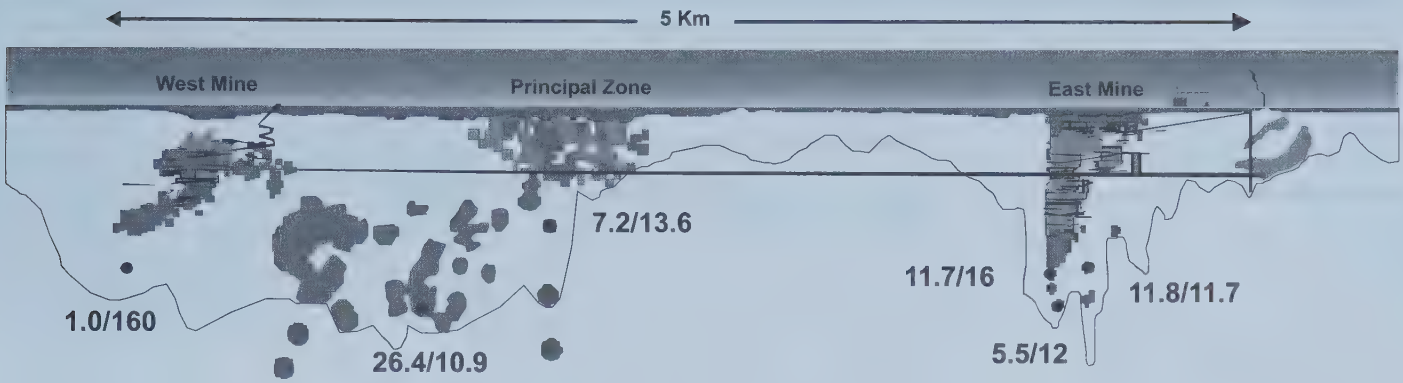
**Mineral reserves are based on estimates at December 31, 2000 calculated by Mahmood Hasan, M.Sc. Econ.Geol., a "qualified person" employed by the Company at that time, under the supervision of Ghislain Fournier, ing, Superintendent, Technical Services, an appropriately "qualified person" as defined by National Instrument 43-101, and audited by Dessau Soprin Inc. The December 31, 2000 estimates were prepared, following completion of a feasibility study, using appropriate cut-off grades associated with an average long-term gold price of US$305 per ounce and an average long-term Canadian dollar to US dollar exchange rate of 1.45. The Company is currently performing an underground drilling program to better define the grade and continuity of Zone 113, at the West Mine, which is estimated to contain 4,115,000 tonnes of probable reserves at an average grade of 7.4 grams per tonne or approximately 984,000 ounces. As results of the underground drill program become available, the mining plans, proposed in 2000, are being reviewed and updated to take into account current and anticipated capital and operating costs, gold prices and exchange rates. Revised mineral reserve estimates will be announced in conjunction with the results from an updated feasibility study, targeted for completion in the fourth quarter, 2004.**

**Mineral resource estimates, with the exception of Zones 118 – 120, were prepared by the Company's "qualified persons", under the supervision of Ghislain Fournier, ing, in 2000, using a long-term gold price of US$305 per ounce and a Canadian dollar to US dollar exchange rate of 1.45.**

**Inferred mineral resources for Zones 118 – 120 of 1,703,500 tonnes at an average grade of 6.1 grams per tonne or approximately 332,000 ounces, were estimated by SRK Consulting, Toronto, Canada in 2003.**

**All of the mineral reserves and resources were calculated in accordance with the CIM guidelines for the estimation, classification and reporting of mineral reserve and resource estimates. Mineral resources are undiluted.**

## 2004 MINESITE EXPLORATION ACTIVITY




Q3-Q4 2004 u/g rig – Deep target West mine (using 550 u/g access)

Q1 2004 2 surface rigs active – East mine
Q2 2004 Surface and u/g rig - East Mine

## PORTAL TO WEST MINE RAMP

Back Row, Left to Right: Matthew Roberge, Daniel Beland, Andre Levesque, Ian S. Walton, David P. Hall, Gerald Levis
Front Row, Left to Right: Rejean Moreau, Martin Demers, Kathy Lafontaine, Ghislain Fournier, Michel Gilbert, Bruno Dube, Benoit Laplante, Normand Bedard, Jacquelin Lacasse, Nathalie St-Amant, Danielle Morin

# SLEEPING GIANT MINE

| | |
|---|---|
| Location | 130 kilometres N.W. of Val-d'Or, Quebec |
| Ownership | 50 % |
| Operator | Cambior Inc. |
| Mineral Gold Reserves – 100% | 158,000 ozs. |
| Mineral Gold Resources – 100% | 111,000 ozs. |
| Estimated 2004 production – 100% | 69,000 ozs. |
| Estimated 2004 total cash costs | US$295 per ounce |
| Mill capacity | 900 tonnes per day |
| Mining method | Shrinkage and room & pillar |

## Results of Operations

Gold production from the Sleeping Giant mine was 33,300 ounces in 2003, almost matching the 33,050 ounces produced in 2002. Higher ore grades were offset by lower ore production in 2003 compared to the previous year.

The average ore grade increased 15% to 12.1 grams per tonne compared to the 10.5 grams per tonne achieved in 2002. The 2003 ore grades matched budget while ore production exceeded budget by 9%, although 13% lower than the previous year's output. Fewer developed working places underground as a result of the depletion of certain ore zones above the current infrastructure will constrain output until the shaft deepening development is complete in the fourth quarter of 2004.

Mine operating costs in 2003 matched plan at $145 per tonne, although 17% higher than the costs achieved in 2002. Lower ore production rates and more difficult mining in the areas active during the year were contributing factors to the higher costs. These factors, together with a strong Canadian dollar, resulted in cash costs rising to US$266 per ounce compared to US$242 per ounce in 2002.

Exploration activity in 2003 was successful in replacing the 66,000 ounces of gold mined during the year, and added a modest 2% additional ounces to reserves over those established in 2002. New reserves were established primarily at the south and upper extension of Zone 8 and in Zone 3 at the 665 metre level.

In 2003, a decision was made to deepen the production shaft by 200 metres, which will provide three new working levels and access to reserves and resources that should extend the mine life by two years and provide the opportunity to find more gold within reach of the infrastructure. The shaft sinking reached the target depth in December 2003. Aurizon invested $6.2 million in this capital program, which included 72,000 metres of development drilling and 1,700 metres of drifting.

## 2004 Outlook

Aurizon's share of gold production from Sleeping Giant for 2004 is expected to increase by nearly 4% from 2003 levels to 34,500 ounces as a result of higher anticipated ore production. The 2004 mine plan anticipates mining 195,000 tonnes of ore at an average gold grade of 11.4 grams per tonne. The lower ore grades and the higher mining costs associated with the shallow, variable dipping Zone 8, will result in total cash costs increasing to US$295 per ounce.

Further infrastructure work associated with the shaft deepening together with exploration and development will require $4.3 million of investment in 2004. Shaft infrastructure work includes installation of ore handling equipment, pumps and a rock breaker and construction of an ore pass, waste pass, and ventilation raises. Also included in the budget is nearly 2,200 metres of drifting and 41,000 metres of diamond drilling.

## Sleeping Giant Mine Production and Cost Data

| | **2003** | 2002 | 2001 | 2000 |
|---|---|---|---|---|
| **Production (100%):** | | | | |
| Ore milled (tonnes) | 176,500 | 202,800 | 214,067 | 221,250 |
| Ore grade - gold (grams/tonne) | 12.1 | 10.5 | 9.6 | 11.14 |
| Mill recoveries - % | 97.0% | 97.0% | 96.7% | 98.4% |
| Gold production – ozs | 66,600 | 66,100 | 63,859 | 77,961 |
| **Aurizon's Share - 50%** | **33,300** | **33,050** | **31,929** | **38,980** |
| **Costs (US$/oz):** | | | | |
| Total cash cost | $266 | $242 | $236 | $191 |
| Depreciation & depletion | $59 | $46 | $36 | $61 |
| **Total production cost (US$/oz)** | **$325** | **$288** | **$272** | **$252** |

## Sleeping Giant Mineral Reserves and Mineral Resources (1)

| | **2003** | | | 2002 | | | 2001 | | |
|---|---|---|---|---|---|---|---|---|---|
| | Tonnes (000's) | Grade g/tonne | Gold Ounces | Tonnes (000's) | Grade g/tonne | Gold Ounces | Tonnes (000's) | Grade g/tonne | Gold Ounces |
| Proven | 150 | 11.2 | 53,900 | 177 | 12.6 | 71,800 | 125 | 10.7 | 43,000 |
| Probable | 268 | 12.1 | 104,500 | 200 | 12.9 | 83,000 | 290 | 12.3 | 115,000 |
| **Mineral Reserves** | 418 | 11.8 | 158,400 | 377 | 12.8 | 154,800 | 415 | 11.9 | 158,000 |
| **Aurizon's Share - 50%** | | | **79,200** | | | **77,400** | | | **79,000** |
| **Mineral Resources – Inferred** (2)- | 352 | 9.8 | 111,000 | 317 | 10.7 | 109,200 | 224 | 10.8 | 77,000 |
| **Aurizon's Share - 50%** | | | **55,500** | | | **54,600** | | | **38,500** |

(1) **Mineral reserves and mineral resources at December 31, 2003, were calculated by François Blanchet, P. Eng., Chief Geologist and Daniel Vallières, P. Eng., Chief Engineer at Sleeping Giant Mine, both "qualified persons" as defined by National Instrument 43-101. Mineral reserves and resources were estimated using a long-term gold price of US$350 per ounce in 2003 and US$325 per ounce in the prior years. Reported mineral reserves and resources have been calculated in accordance with definitions and guidelines adopted by the Canadian Institute of Mining, Metallurgy and Petroleum in August 2000.**

(2) **Mineral resources are stated after applying historic mining dilution factors. Unlike proven and probable mineral reserves, mineral resources do not have a demonstrated economic viability.**

# MANAGEMENT'S DISCUSSION AND ANALYSIS

## OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Management's discussion and analysis provides a review of the performance of Aurizon's business and compares its 2003 performance with those of the preceding two years. This discussion also provides an indication of future developments along with issues and risks that can be expected to impact future operations. This report has been prepared on the basis of available information up to March 22, 2004.

### Overview

Aurizon is a Canadian-based gold mining company with operations and development activities in north-western Quebec, one of the world's most prolific gold and base metal regions. Aurizon owns 50% of the Sleeping Giant mine, which has been in operation since 1993, and 100% of the advanced development stage Casa Berardi project. The Sleeping Giant mine produced 33,300 ounces of gold to Aurizon's account in 2003 at a cash cost of US$266 per ounce.

The main factor influencing the improved financial performance in 2003 was the capitalization of all expenditures associated with Casa Berardi due to the significant exploration activity conducted in the past year. In the two prior years, financial constraints and low gold prices limited any significant exploration or development activities, accordingly, care and maintenance costs of $2.5 million and $3.1 million were charged to operations in 2002 and 2001, respectively. However, the adoption of new accounting standards, in respect of stock-based compensation and asset retirement obligations, resulted in non-cash charges of $590,520 in 2003. Aurizon incurred a net loss of $0.3 million or $0.00 per share in 2003, compared to a net loss of $2.9 million or $0.06 per share in 2002, and a net loss of $6.2 million or $0.16 per share in 2001. The 2001 results include a non-cash write-down of resource assets totaling $1.1 million.

Cash flow from operations resulted in cash flow for the year of $3.8 million in 2003, compared to cash flow of $0.2 million and negative cash flow of $2.8 million in 2002 and 2001, respectively. The increased operating cash flow compared to 2002, is primarily attributable to capitalizing Casa Berardi exploration and development costs in 2003.

Three equity financings in 2003, together with the exercise of private placement warrants and stock options provided $32 million to Aurizon in 2003, allowing the Company to undertake a major underground exploration program at Casa Berardi. At December 31, 2003, Aurizon had cash of $27 million and working capital of $28 million.

| Key Financial Data (in $thousands) | 2003 | 2002 | 2001 |
|---|---|---|---|
| **Revenue** | $18,060 | $17,029 | $14,573 |
| **Net Loss** | $301 | $2,944 | $6,235 |
| **- Per share** | (0.00) | (0.06) | (0.16) |
| **Cash flow from operating activities** | $3,826 | $233 | ($2,761) |
| **Working capital** | $27,908 | $12,005 | $1,199 |
| **Total assets** | $78,611 | $43,492 | $30,193 |
| **Total long-term liabilities** | $4,241 | $3,097 | $7,136 |

## Gold Production

Total gold production in 2003 of 33,300 ounces matched that achieved in 2002 and was higher than the 31,900 ounces produced in 2001. Ore production in 2003 was 9% higher than plan, although lower than the two previous years due to a reduced number of developed working places underground. Ore grade in 2003 matched forecast and was 15% and 26% higher than 2002 and 2001, respectively. A summary of Sleeping Giant's production results are as follows:

| **Sleeping Giant Mine Production Data** | | | |
|---|---|---|---|
| | **2003** | **2002** | **2001** |
| Production (100%): | | | |
| Tonnes milled | 176,500 | 202,800 | 214,067 |
| Ore grade (grams/tonne) | 12.1 | 10.5 | 9.6 |
| Gold production (ounces) - 100% | 66,600 | 66,100 | 63,800 |
| Aurizon's share - 50% | 33,300 | 33,050 | 31,900 |

## Revenue

Higher Canadian dollar realized gold prices resulted in a 6% increase in revenue compared to 2002. Revenue from mining operations in 2003 was $17.5 million compared to $16.4 million in 2002, and $13.9 million in 2001. The average gold price realized in 2003 was US$375 per ounce, US$12 per ounce higher than the average London afternoon fixing, and higher than the US$310 and US$276 per ounce achieved in 2002 and 2001, respectively. During 2003, Aurizon's Canadian dollar settlements averaged 1.40 to the U.S. dollar, matching the yearly average exchange rate, and resulting in Aurizon realizing a Canadian dollar gold price of $525 per ounce. This compares favourably with Canadian dollar realized gold prices per ounce of $487 and $428 in 2002 and 2001, respectively.

| | **2003** | **2002** | **2001** |
|---|---|---|---|
| Realized gold price - US$ | $375 | $310 | $276 |
| Realized exchange rate to US$ | 1.40 | 1.57 | 1.55 |
| Realized gold price - Canadian $ | $525 | $487 | $428 |

Aurizon's ability to generate mine operating profits from its current operations is related, in part, to the market price of gold. Gold trades on global commodity exchanges, and its price is affected by numerous factors beyond the control of Aurizon. The average London gold price rose 21% in 2003 to US$375 per ounce, compared to the prior year's US$310 per ounce, and US$271 in 2001, the lowest average annual price in twenty-three years. With expectations of continued strong gold prices in 2004, Aurizon had no gold production hedged at December 31, 2003.

Royalty and other income in 2003 totaled $574,000, compared to $656,000 in 2002 and $692,000 in 2001. Royalty income from the Beaufor mine, which restarted in 2002 under new ownership, provided $343,000 and $350,000 in 2003 and 2002, respectively. Other income in 2001 includes $620,000 of gold recovered from the circuit of a mill prior to its disposition.

## Expenses

Mine operating costs in 2003 were similar to the prior year's costs, at $12.4 million compared to $12.6 million in 2002, and $11.7 million in 2001. Cash operating costs in 2003 were $145 per tonne, matching plan, although 17% higher than the costs achieved in 2002, due to lower ore production rates. Total cash costs per ounce of US$266 in 2003 were higher than the forecast US$258 due to a much stronger than expected Canadian dollar. The stronger Canadian dollar increased total cash costs by US$17 per ounce over forecast. The strength of the Canadian dollar, together with higher unit operating costs and partially offset by a 15% increase in ore grades, resulted in total U.S. dollar cash costs being 10% higher in 2003 compared to the previous year.

| | 2003 | 2002 | 2001 |
|---|---|---|---|
| Sleeping Giant Costs (US$/ounce): | | | |
| Total cash costs | $266 | $242 | $236 |
| Depreciation & depletion | $59 | $46 | $36 |
| Total production costs | $325 | $288 | $272 |
| Cash costs per tonne - Cdn$ | $145 | $124 | $109 |

Depreciation and depletion expense totaled $2.8 million in 2003, compared to $2.4 million in 2002, and $1.8 million in 2001. On a unit basis, depreciation and depletion costs per ounce totaled US$59 in 2003, compared to US$46 and US$36 in each of the two prior years. Increased capitalized costs associated with the shaft deepening at Sleeping Giant more than offset a 2% increase in ore reserves, resulting in higher unit charges in 2003.

The adoption of a new accounting standard with respect to asset retirement obligations, effective January 1, 2003, has resulted in a retroactive accretion charge totaling $176,520, $164,527 and $153,356 in each of the past three years. This charge represents the interest component of the present value of the estimated reclamation costs at each of the Company's two mineral properties. This charge to operations will increase the asset retirement liability each reporting period until the year in which the reclamation work is expected to take place, at which time the undiscounted reclamation liability will be reflected on the balance sheet.

A general increase in corporate activities, together with costs associated with corporate governance requirements, have resulted in administrative and general costs increasing to $2.3 million compared to $1.7 million and $1.8 million in 2002 and 2001, respectively.

In 2003, care and maintenance costs at Casa Berardi were capitalized due to the significant exploration and development activity conducted during the year, whereas these costs were charged to operations in the two prior years. Care and maintenance costs in 2002 were $2.5 million compared to $3.1 million in 2001. The 2002 costs related solely to Casa Berardi, whereas in 2001, costs of $2.6 million were associated with Casa Berardi and additional costs of $0.5 million were incurred at Beaufor up to the date of disposition. Aurizon's 50% interest in the Beaufor mine was sold in 2001 for cash and a gold-indexed royalty on future production.

In 2002, the write-off of deferred finance costs associated with the early repayment of the Casa Berardi purchase obligation and related interest costs totaled $482,000 compared to financing costs of $254,000 in 2001.

As a result of the decision to sell non-core assets in 2001, the Beaufor mine was sold, which resulted in a loss on sale totaling $251,000. During the same year, Aurizon incurred aggregate non-cash charges of $1.1 million in respect of the carrying values of its non-producing mineral properties.

Aurizon realized gains of $72,000 in 2003, $36,000 in 2002 and $277,000 in 2001 on the disposal of surplus equipment.

Equity financings completed in 2003 totaling $32 million have increased shareholders' equity by 86%, upon which provincial and federal capital taxes are determined. As a result, capital taxes for 2003 increased to $278,000, compared to $157,000 and $126,000 recorded in 2002 and 2001, respectively. Income tax expense is in respect of federal large corporation's tax and was $105,000, $61,000 and $45,000 in each of the past three years.

The adoption of the fair value method of accounting for stock options has resulted in a non-cash charge in 2003 of $414,000, in respect of 865,000 options granted in December 2003, exercisable at $2 per share. In 2002, the fair value of stock options granted was reflected in the notes to the financial statements on a pro forma basis.

## Summary of Quarterly Results and Fourth Quarter Review

| 2003 | 4th Quarter | 3rd Quarter | 2nd Quarter | 1st Quarter |
|---|---|---|---|---|
| Revenue | $5,402,401 | $4,804,490 | $3,683,087 | $4,169,655 |
| Net Earnings (Loss) | ($90,662) | $7,927 | ($212,209) | ($6,210) |
| Earnings (Loss) per share - Basic and diluted | ($0.00) | ($0.00) | ($0.00) | ($0.00) |
| **2002** | **4th Quarter** | **3rd Quarter** | **2nd Quarter** | **1st Quarter** |
| Revenue | $4,317,317 | $4,028,592 | $4,243,485 | $4,439,893 |
| Net Earnings (Loss) | ($971,294) | ($626,836) | ($1,058,038) | ($287,568) |
| Earnings (Loss) per share - Basic and diluted | ($0.02) | ($0.01) | ($0.02) | ($0.01) |

Revenue in the fourth quarter of 2003 reached the highest level of any of the past eight quarters as a result of achieving the highest gold output and ore grades, combined with the highest realized Canadian dollar gold prices. Offsetting these improved operating results was the adoption of new accounting standards in 2003, which resulted in non-cash charges totaling $600,823 in 2003. In the second quarter of 2003, operations were impacted by a change in mining methods, which resulted in a shortfall of ore production.

The quarterly losses in 2002 were significantly higher than any quarterly loss in 2003, due to Casa Berardi care and maintenance costs being charged to operations.

## Cash Flow

### *Operating Activities*

Operating activities generated $3.8 million of cash in 2003, compared to $0.2 million during 2002, and a cash outflow of $2.8 million in 2001. The increased cash flow in 2003 is primarily attributable to the capitalization of Casa Berardi costs, whereas these costs were charged to operations in the two previous years.

### *Investing Activities*

A major underground development program at Casa Berardi and shaft deepening at Sleeping Giant during 2003 have resulted in aggregate investing activities totaling $21.7 million compared to $5.9 million in 2002, whereas in 2001, the divestiture of the Beaufor Mine, non-core assets and gold recoveries from an idle mill facility exceeded capital expenditures by $1.1 million.

Mineral property, plant and equipment expenditures in 2003 totaled $21.4 million, of which $15.2 million was invested at Casa Berardi and $6.2 million was invested at Sleeping Giant. At Casa Berardi, the West Mine ramp was extended 1,074 metres from the 450 metre level down to the 550 metre level in 2003, to provide access to the 113 Zone for metallurgical testwork and to provide drill bases for in-fill definition drilling. Approximately 44 metres of the exploration drift were complete by year-end, allowing the completion of 1,400 metres of definition drilling. A further 21,000 metres of surface exploration drilling was completed in the area of Zones 118-120 during 2003, where an inferred gold resource has been outlined. At Sleeping Giant, $6.2 million was invested in the deepening of the production shaft by three working levels, or 200 metres, as well as 72,000 metres of development drilling and 1,700 metres of drifting.

In 2002, mineral property, plant and equipment expenditures totaled $6.0 million, of which $3.1 million was invested at Casa Berardi and $2.9 million was invested at Sleeping Giant. At Casa Berardi, $1.1 million was paid to acquire the residual net smelter royalty from the original vendors and $2.0 million funded 21,000 metres of exploration drilling east of Zone 113. At Sleeping Giant, $2.7 million was invested in 68,000 metres of exploration drilling and approximately 1,400 metres of drifting and $0.2 million for mining equipment. In 2001, mineral property and capital expenditures totaled $2.0 million, all of which was invested at Sleeping Giant, primarily in the exploration and development of the 8 Zone, and to fund 50,000 metres of exploration drilling.

| | 2003 | 2002 | 2001 |
|---|---|---|---|
| **Capital Expenditures by project:** | | | |
| Casa Berardi | $15,233,116 | $3,084,166 | - |
| Sleeping Giant | $6,186,443 | $2,914,551 | $1,950,605 |
| Other | $50,689 | $17,841 | $3,100 |
| Total | $21,470,248 | $6,016,558 | $1,953,705 |
| **Represented by:** | | | |
| Property, plant & equipment | $1,096,784 | $220,393 | $113,967 |
| Mineral properties | $20,373,464 | $5,796,165 | $1,839,738 |
| Total | $21,470,248 | $6,016,558 | $1,953,705 |

In 2001, investing activities include the sale of Aurizon's 50% interest in the Beaufor mine for cash consideration of $1.7 million and $1.0 million of income from gold recovered from the mill circuit at Casa Berardi.

Sales of surplus equipment generated proceeds in 2003, 2002 and 2001 of $181,000, $97,000, and $369,000, respectively.

***Financing Activities***

Equity private placements during 2003 provided net proceeds of $27.1 million; the exercise of warrants for shares provided $3.3 million; and the exercise of stock options provided a further $1.6 million, for a total $32 million. As at December 31, 2003, there were 6.9 million warrants outstanding at an average exercise price of $2.32 per share, of which 760,000 warrants at an average price of $1.34 per share expire in 2004. In 2002, three equity financings, the exercise of warrants attached to these issuances, and the exercise of incentive stock options resulted in net proceeds of $20.1 million. In 2001, the exercise of share purchase warrants and incentive stock options generated proceeds of $69,000.

In respect of non-cash financing activities impacting share capital, Aurizon issued 11,666,690 shares in 2003 pursuant to the conversion of a $7 million convertible debenture (net proceeds of $6.5 million). As consideration for interest and deferred finance costs associated with the Casa Berardi acquisition, 639,246 shares having a fair value of $290,000 were issued in 2002, compared to 1,320,907 shares having a fair value of $446,000, issued in 2001.

During 2002 and 2001, Sleeping Giant received non-repayable government grants to fund ongoing exploration activities, of which Aurizon's share was $52,000 and $337,000, respectively

In 2003, Aurizon received $0.4 million in refundable tax credits and $0.1 million in provincial refundable mining duties, for certain eligible exploration expenditures. In 2002, $0.6 million was received from refundable mining duties.

Equity financings in 2002 allowed for the early repayment of long-term debts totaling $4.3 million, being the remaining Casa Berardi acquisition obligation of $3.9 million and the deferred hydro charges of $0.4 million. During 2001, $120,000 of long-term debt was repaid.

Aurizon's aggregate operating, investing and financing activities during 2003 resulted in a net $14.6 million increase in its cash balances. As at December 31, 2003, cash and cash equivalents stood at $27.1 million, compared to $12.4 million in 2002 and $1.8 million in 2001.

## Balance Sheet

The total assets of Aurizon increased to $78.6 million at December 31, 2003 from $43.5 million in the previous year. At the end of 2003, Aurizon had working capital of $27.9 million compared to $12 million at the end of 2002. Aurizon has had no debt for the past two years and at the end of 2003, and currently, does not have any gold hedges or off balance sheet financings. Aurizon did have US$2.0 million of foreign currency contracts at the end of 2003. Shareholders' equity increased to $69.7 million at December 31, 2003, compared to $36.1 million the previous year, primarily as a result of the significant equity financings completed in 2003.

As at the date of this report, Aurizon had 97,572,619 common shares issued and outstanding. In addition, there were 6,836,207 warrants outstanding that are exercisable into common shares at an average price of $2.33 per share and 2,854,000 incentive stock options that are exercisable into common shares at an average price of $1.35 per share.

## Related Party Transactions and Off-Balance Sheet Arrangements

The Company has no related party transactions or off-balance sheet arrangements to report.

## Changes in Accounting Policies

In 2003 the Company adopted the new CICA accounting standard for asset retirement obligations whereby the fair value of these obligations are recorded in the period in which they occur. The adoption of this standard, which requires retroactive application, has resulted in an increase in property, plant, and equipment of $826,554, an increase in asset retirement obligations totaling $2,445,911 and a decrease in reclamation liabilities totaling $2,985,000 which were recognized under the former accounting guidance. The cumulative effect of this accounting change in 2003 was a credit to the opening deficit of $1,365,643.

The effect on earnings was an increase in the net loss for the year of $186,823, $174,830, and $163,659 for 2003, 2002, and 2001, respectively.

Effective January 1, 2003, the Company elected to apply the fair value method of accounting for stock options granted to directors, officers and employees on a prospective basis. The adoption of this standard has resulted in a charge to operations in 2003 of $414,000 and a credit to shareholders' equity.

## Non-GAAP Measures

The Company has included certain non-GAAP performance measures throughout this management discussion and analysis. These measures do not have any standardized meaning prescribed by GAAP and therefore may not be comparable to similar measures presented by other companies. Management believes that certain investors use this information, in addition to conventional measures prepared in accordance with Canadian GAAP, to evaluate Aurizon's performance. Accordingly, they are intended to provide additional information and should not be considered in isolation or as a substitute for GAAP measures. Set out below are definitions for these performance measures and reconciliations to reported GAAP measures.

A reconciliation of costs per ounce of gold produced calculated in accordance with the Gold Institute Standard to operating costs and depreciation and depletion is provided below:

| | 2003 | | 2002 | |
|---|---|---|---|---|
| | **Total Cash Costs** | **Total Production Costs** | **Total Cash Costs** | **Total Production Costs** |
| Operating costs | $12,426,134 | $12,426,134 | $12,552,353 | $12,552,353 |
| Depreciation and depletion | - | $2,760,803 | - | $2,375,979 |
| | $12,426,134 | $15,186,937 | $12,552,353 | $14,928,332 |
| Gold production - ounces | 33,300 | 33,300 | 33,050 | 33,050 |
| Costs per ounce - Canadian $ | $373 | $456 | $380 | $452 |
| Average exchange rate to U.S.$ | 1.4015 | 1.4015 | 1.5704 | 1.5704 |
| Costs per ounce - U.S.$ | $266 | $325 | $242 | $288 |

## Outlook

Aurizon's share of gold production from Sleeping Giant in 2004 is expected to increase by nearly 5% from 2003 levels to 34,500 ounces as a result of higher anticipated ore production. Total cash costs per ounce are expected to increase to US$295 in 2004, compared to US$266 achieved in 2003 due to higher mining costs associated with extracting ore from the flatter dipping Zone 8 and lower anticipated average ore grades.

Based upon estimated ore grades, production rates, operating costs, an average forecast gold price of US$375 per ounce, and an average U.S. dollar exchange rate of 1.33, the Sleeping Giant Mine is expected to provide approximately $1.9 million in operating cash flow to Aurizon during the year. The projected profitability of Sleeping Giant will be influenced by changes in the grade of ore mined from that estimated, and by fluctuations in gold prices and foreign exchange rates.

Aurizon's operations are very sensitive to the grade of ore mined. The 2004 mine plan for Sleeping Giant anticipates mill throughput of 195,000 tonnes at a grade of 11.4 grams per tonne. A 1.0 gram/tonne change in the ore grade would impact Aurizon's forecast 2004 cash flow by $1.5 million.

A US$10 per ounce change in the US$375 per ounce gold price used in Aurizon's 2004 forecast would have a $500,000 impact on forecast cash flow. The gold price was relatively volatile during 2003, with the London afternoon fixing ranging from a high of US$416 per ounce in December, to a low of US$320 per ounce in April, before closing the year at US$416 per ounce. As at December 31, 2003, Aurizon did not have any gold production hedges.

A change of 0.05 in the 1.33 U.S. to Canadian dollar exchange rate used in Aurizon's 2004 forecast, would impact cash flow by approximately $650,000. In 2003, the Canadian dollar had a range from 1.28 to 1.57 against the U.S. dollar and averaged 1.40 for the year.

Sleeping Giant will require $4.3 million of exploration, development, and capital expenditures in 2004, of which $1.5 million is required to complete the additional development work associated with the recent shaft sinking. Also included in the Sleeping Giant budget is nearly 2,200 metres of drifting and 41,000 metres of diamond drilling. The shaft sinking provides access to 76,000 tonnes of probable mineral reserves at a gold grade of 11.5 grams/tonne, representing 28,000 ounces of gold, and 192,000 tonnes of inferred mineral resources at a gold grade of 10.3 grams/tonne, representing 64,000 ounces of gold. This program should extend the mine life of Sleeping Giant by two years and provide the opportunity to find more ounces within reach of the infrastructure.

At Casa Berardi, $18.8 million is expected to be invested in 2004 to continue the major underground exploration program that was initiated in early 2003, as well as starting certain preproduction development (including shaft collar construction), completing an updated feasibility study, and continuing an active exploration program on other prospective targets. The underground program will provide access to Zone 113 and will allow in-fill definition drilling and the extraction of ore for metallurgical testwork in order to increase the confidence level of the grade, continuity and extent of Zone 113. The costs of the underground program, including site maintenance costs, are estimated to be $11 million in 2004. The exploration budget of $1.8 million should provide approximately 21,000 metres of exploration drilling activity. The objective of the 2004 programs is to complete a final feasibility study by October 2004 and to initiate preproduction development that will reduce the lead time required to reach commercial production. Aurizon relies on net minesite cash flow from Sleeping Giant to cover corporate costs, and on equity capital, to fund significant exploration and development activity at Casa Berardi and Sleeping Giant. The successful completion of three equity financings in 2003 has provided sufficient funding for all of Aurizon's capital and development commitments for 2004. It is anticipated that project financing for the development of Casa Berardi into an operating gold mine will be sought in the fourth quarter of 2004.

This report contains "forward-looking statements", including, but not limited to, statements regarding the Company's expectations as to the market price of gold, strategic plans, future commercial production, production targets and timetables, mine operating costs, capital expenditures, work programs, exploration budgets and mineral reserve and resource estimates. Forward-looking statements express, as at the date of this report, the Company's plans, estimates, forecasts, projections, expectations, or beliefs as to future events or results. Forward-looking statements involve a number of risks and uncertainties, and there can be no assurance that such statements will prove to be accurate. Therefore, actual results and future events could differ materially from those anticipated in such statements. Factors that could cause results or events to differ materially from current expectations expressed or implied by the forward-looking statements, include, but are not limited to, factors associated with fluctuations in the market price of precious metals, mining industry risks and hazards, environmental risks and hazards, uncertainty as to calculation of mineral reserves and resources, requirement of additional financing, risks of delays in construction and other risks more fully described in Aurizon's Annual Report on Form 20-F filed as an alternative form of AIF with the Securities Commissions of the provinces of British Columbia, Ontario and Quebec, with the United States Securities and Exchange Commission, and with the Toronto Stock Exchange. This 20-F document is available on Sedar at www.sedar.com.

## Critical Accounting Policies

The preparation of the Company's consolidated financial statements requires management to use estimates and assumptions that affect the reported amounts of assets and liabilities, as well as revenues and expenses.

The most critical accounting policies, upon which the Company's financial statements depend, are those requiring estimates of proven and probable reserves, recoverable ounces therefrom, and assumptions of operating costs and future gold prices. Such estimates and assumptions affect the potential impairment of long-lived assets and the rate at which depreciation, depletion and amortization are charged to earnings. In addition, management must estimate costs associated with mine reclamation and closure costs.

The Company records mineral property acquisition costs and mine development costs at cost. In accordance with Canadian generally accepted accounting principles, the Company capitalizes pre-production expenditures net of revenues received, until the commencement of commercial production. A significant portion of the Company's property, plant and equipment and mine development costs are depreciated and amortized on a unit-of-production basis. Under the unit-of-production method, the calculation of depreciation, depletion and amortization of property, plant and equipment and mine development costs is based on the amount of reserves expected to be recovered from each location.

The process of estimating quantities of gold reserves is complex, requiring significant decisions in the evaluation of all available geological, geophysical, engineering and economic data. The data for a given orebody may also change substantially over time as a result of numerous factors, including, but not limited to, additional development activity, production history and the continual reassessment of the viability of orebodies under various economic conditions. A material revision to existing reserve estimates could occur because of, among other things: revisions to geological data or assumptions; a change in the assumed gold prices; and the results of drilling and exploration activities.

If estimates of reserves prove to be inaccurate, or a mining plan changes due to reductions in the price of gold or otherwise, resulting in a reduction in the reserves expected to be recovered, the Company could be required to write-down the recorded value of its plant and equipment and mine development costs, or to increase the amount of future depreciation, depletion and amortization expense, both of which would adversely affect the Company's earnings and net assets.

The Company has an obligation to reclaim its properties after the minerals have been mined from the site, and has estimated the costs necessary to comply with existing reclamation standards. These estimated costs are recorded as a liability at their fair values in the periods in which they occur, and at each reporting period, are increased to reflect the interest element (accretion expense) considered in the initial fair value measurement of the liabilities. If the estimate of reclamation costs proves to be inaccurate, the Company could be required to increase the provision for site closure and reclamation costs, which would increase the amount of future reclamation expense per ounce, resulting in a reduction in the Company's earnings and net assets.

## Risks and Uncertainties

The following is a brief discussion of those distinctive or special characteristics of Aurizon's operations and industry, which may have a material impact on, or constitute risk factors in respect of Aurizon's financial performance.

### *Ability to Continue Operations*

The Company relies on the Sleeping Giant Mine as its only current source of operating cash flow. Production based on current mineral reserves is expected to continue for approximately three years, although this is an estimate that may be subject to change. Additional production and, in turn, the results of the Company, will be dependent on the results of future exploration and development programs and its ability to discover new mineral reserves.

Management estimates that the equity financings completed in 2003, together with anticipated cash flow from the Sleeping Giant Mine in 2004, will provide sufficient working capital to meet its planned operating and capital expenditures for the 2004 fiscal year, but cannot provide any assurance that these sources will adequately fund its future capital and operational requirements or that alternative financing will be available, if required.

### *Gold Price Volatility*

The Company's results are highly sensitive to changes in the price of gold. Gold prices fluctuate and are affected by numerous factors, including expectations with respect to the rate of inflation, exchange rates, interest rates, global and regional political and economic crises and governmental policies with respect to gold holdings by central banks. The demand for and supply of gold affects gold prices but not necessarily in the same manner as demand and supply affect the prices of other commodities. The supply of gold consists of a combination of mine production and existing stocks of bullion and fabricated gold held by governments, public and private financial institutions, industrial organizations and private individuals. The demand for gold consists of jewelry and investment demand.

### *Mining Risks and Insurance*

The business of gold mining is subject to certain types of risks and hazards, including environmental hazards, industrial accidents, unusual or unexpected changes to rock formations, changes in the regulatory environment, cave-ins and flooding. Such occurrences could result in damage to, or destruction of, mineral properties or production facilities, personal injury or death, environmental damage, delays in mining, monetary losses and possible legal liability. Any payments made with regards to such liabilities may have a material adverse effect on Aurizon's financial position. The Company carries insurance to protect itself against certain risks of mining and processing in amounts that it considers to be adequate but which may not provide adequate coverage in certain unforeseen circumstances. In addition, the Company may become subject to liability for pollution, cave-ins, or other hazards against which it cannot insure or against which it may elect not to insure because of high premium costs or other reasons or the Company may become subject to liabilities that exceed policy limits. In such cases, the Company may be required to incur significant costs that could have a material adverse effect upon its financial performance and results of operations.

### *Uncertainty of Mineral Reserves*

Although the Company has carefully prepared the mineral reserves figures included herein and believes that the method of estimating mineral reserves has been verified by mining experience and production history, such figures are estimates, and no assurance can be given that the indicated gold will be produced. In addition, mineral reserve grades, mill recoveries and tonnage actually realized by the Company may differ from estimates.

The Company's mineral reserves consist of the estimated quantities of mineralized material which, on the basis of geological and engineering data, can be demonstrated with a reasonably high degree of certainty to be recoverable by established mining and treatment methods. Only that material estimated to contain mineral values in excess of cutoff grades required to cover the cost of estimated mining operations is included.

The Company adjusts its mineral reserves annually by the amount extracted in the previous year, by the additions and reductions resulting from new geological information and interpretation, and from changes in operating costs and metal prices. Mineral reserves are not revised in response to short-term cyclical price variations in metal markets.

Short-term factors relating to the mineral reserves, such as the need for orderly development of ore bodies or the processing of new or differing grades, may impair the profitability of a mine in any particular accounting period.

### *Replacement of Mineral Reserves*

There are a number of uncertainties inherent in any program relating to the location of economic mineral reserves, the development of appropriate metallurgical processes, the receipt of necessary governmental permits and the construction of mining and processing facilities and the appropriate financing thereof. Accordingly, there can be no assurance that the Company's programs will yield new mineral reserves to replace mined reserves and to expand current mineral reserves.

### *Financing of Exploration Programs*

There are mineral reserves on Aurizon's Sleeping Giant and Casa Berardi properties, but Aurizon may carry out further exploration on these properties with the objective of establishing additional economic mineral reserves. Exploration for minerals is a speculative business necessarily involving a high degree of risk. It is not known if the expenditures to be made by Aurizon on its mineral properties will result in discoveries of commercial mineral reserves. If Aurizon's efforts are not successful at individual properties, the expenditures at those properties will be written off. If Aurizon's exploration programs are successful, additional funds may be required for the development of economic mineral reserves in order to achieve commercial production. In addition, the exploration and development of Aurizon's properties may depend upon Aurizon's ability to obtain financing through the joint venturing of projects, sale of property interests, debt financing, equity financing or other means. There is no assurance that Aurizon will be successful in obtaining the required financing on commercially reasonable terms, or at all. The inability of the Company to obtain necessary financing could have a material adverse effect on the Company's ability to explore and develop its properties.

### *Government Permits*

In the ordinary course of business, mining companies are required to seek governmental permits for expansion of existing operations or for the commencement of new operations. Obtaining the necessary governmental permits is a complex and time-consuming process involving numerous jurisdictions and often involving public hearings and costly undertakings on the part of the Company. The duration and success of permitting efforts are contingent upon many variables not within the Company's control. Environmental protection permitting, including the approval of reclamation plans, may increase costs and cause delays depending on the nature of the activity to be permitted and the interpretation of applicable requirements implemented by the permitting authority. There can be no assurance that all necessary permits will be obtained and, if obtained, that the costs involved will not exceed those previously estimated by the Company. It is possible that the costs and delays associated with the compliance with such standards and regulations could become such that the Company would not proceed with the development or operation of a mine or mines.

### *Reclamation Obligations*

Reclamation requirements may change and do vary depending on the location and the government regulatory body, but they are similar in that they aim to minimize long term effects of exploration and mining disturbance by requiring the operating company to control possible deleterious effluents and to re-establish to some degree pre-disturbance land forms and vegetation. All of the Company's operations are subject to reclamation, site restoration and closure requirements. The Company calculates its estimates of the ultimate reclamation liability based on current laws and regulations and the expected future costs to be incurred in reclaiming, restoring and closing its operating mine sites. It is possible that the Company's estimate of its ultimate reclamation liability could change in the near term due to possible changes in laws and regulations and changes in cost estimates.

# Aurizon Mines Ltd.

## Management's Responsibility for Financial Reporting

The consolidated financial statements of the Company and all the information included in this annual report are the responsibility of Management of the Company and have been approved by the Board of Directors. The financial statements have been prepared by Management in accordance with accounting principles generally accepted in Canada and, where appropriate, reflect Management's best estimates and judgements based on currently available information.

Management maintains a system of internal controls to provide reasonable assurance that financial information is reliable and accurate and assets are safeguarded.

The Board is responsible for ensuring that Management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements. The Board carries out this responsibility principally through its Audit Committee.

The Audit Committee meets twice per year with the external auditors to review the audit plan and the financial statements and to discuss audit related matters. The Committee reports its findings to the Board for consideration when approving the financial statements for issuance to the shareholders. The members of the Committee are independent directors. The Board meets with Management on a quarterly basis to review and approve interim financial statements and to discuss financial performance compared to forecast.

The Company's independent auditors, PricewaterhouseCoopers LLP were appointed by the shareholders to conduct an audit in accordance with Canadian generally accepted auditing standards and their report follows.

David P. Hall
Chairman, President and
Chief Executive Officer

Ian S. Walton
Executive Vice-President
and Chief Financial Officer

Vancouver, B.C., Canada
March 5, 2004

## Auditors' Report
## To the Shareholders of Aurizon Mines Ltd.

We have audited the consolidated balance sheets of Aurizon Mines Ltd. as at December 31, 2003 and 2002 and the consolidated statements of operations and deficit and cash flow for each of the years ended December 31, 2003, 2002 and 2001. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards in Canada and the U.S. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the company as at December 31, 2003 and 2002 and the results of its operations and its cash flow for each of the years in the three-year period ended December 31, 2003 in accordance with Canadian generally accepted accounting principles. As required by the British Columbia Company Act, we report that, in our opinion, these principles have been applied on a basis consistent with that of the preceding year.

PricewaterhouseCoopers LLP

Chartered Accountants
Vancouver, B.C., Canada
March 5, 2004

## Comments by Auditors for U.S. Readers on Canada-U.S. Reporting Difference

In the United States, reporting standards for auditors require the addition of an explanatory paragraph (following the opinion paragraph) when there is a change in accounting principles that has a material effect on the comparability of the Company's financial statements, such as the changes described in Note 3(a) and Note 3(b) to the financial statements. Our report to the shareholders dated March 5, 2004 is expressed in accordance with Canadian reporting standards which do not require a reference to such a change in accounting principles in the auditors' report when the change is properly accounted for and adequately disclosed in the financial statements.

PricewaterhouseCoopers LLP

Chartered Accountants
Vancouver, B.C., Canada
March 5, 2004

# Aurizon Mines Ltd.
## Consolidated Balance Sheets
## As at December 31, (in Canadian Dollars)

| | 2003 | 2002 |
|---|---|---|
| | $ | $<br>(As Restated) |
| **ASSETS** | | |
| CURRENT | | |
| Cash and cash equivalents | **27,080,839** | 12,441,888 |
| Bullion settlements | **781,685** | 606,045 |
| Accounts receivable | **1,498,872** | 727,870 |
| Refundable tax credits (Note 6 (b)) | **1,736,703** | 390,310 |
| Prepaids | **469,755** | 293,900 |
| Inventory | **1,058,177** | 436,573 |
| TOTAL CURRENT ASSETS | **32,626,031** | 14,896,586 |
| RECLAMATION DEPOSITS | **428,650** | - |
| PROPERTY, PLANT AND EQUIPMENT (Note 5) | **7,985,842** | 7,450,644 |
| MINERAL PROPERTIES (Note 6) | **37,570,739** | 21,144,354 |
| TOTAL ASSETS | **78,611,262** | 43,491,584 |
| **LIABILITIES** | | |
| CURRENT | | |
| Accounts payable and accrued liabilities | **4,717,569** | 2,892,154 |
| | **4,717,569** | 2,892,154 |
| ASSET RETIREMENT OBLIGATIONS (Note 7) | **2,622,431** | 2,445,912 |
| FUTURE INCOME TAXES (Note 11) | **967,320** | - |
| LONG-TERM LIABILITIES (Note 6 (a)) | **651,405** | 651,405 |
| TOTAL LIABILITIES | **8,958,725** | 5,989,471 |
| **SHAREHOLDERS' EQUITY** | | |
| SHARE CAPITAL (Note 8)<br>Common shares issued – 97,362,619<br>(2002 – 63,002,937) | **121,750,973** | 83,195,861 |
| CONTRIBUTED SURPLUS | **742,943** | 742,943 |
| STOCK BASED COMPENSATION (Note 3 (b)) | **414,000** | - |
| CONVERTIBLE DEBENTURES (Note 9) | **-** | 6,517,534 |
| DEFICIT | **(53,255,379)** | (52,954,225) |
| TOTAL SHAREHOLDERS' EQUITY | **69,652,537** | 37,502,113 |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | **78,611,262** | 43,491,584 |

*The attached notes form an integral part of these consolidated financial statements*

Approved on behalf of the Board,

Brian Moorhouse,
Director

Robert Normand,
Director

# Aurizon Mines Ltd.
## Consolidated Statements of Operations and Deficit
## For the years ended December 31, (in Canadian Dollars)

| | 2003 | 2002 | 2001 |
|---|---|---|---|
| | $ | $ (As Restated) | $ (As Restated) |
| **REVENUE** | | | |
| Mining operations | **17,485,922** | 16,372,858 | 13,880,853 |
| Royalty and other income | **573,711** | 656,429 | 692,023 |
| | **18,059,633** | 17,029,287 | 14,572,876 |
| **EXPENSES** | | | |
| Operating costs | **12,426,134** | 12,552,353 | 11,663,097 |
| Depreciation and depletion | **2,760,803** | 2,375,979 | 1,798,980 |
| Accretion (Note 7) | **176,520** | 164,527 | 153,356 |
| Administrative and general costs | **2,272,615** | 1,683,259 | 1,849,786 |
| Stock Based Compensation (Note 3 (b)) | **414,000** | - | - |
| Restructuring costs | - | - | 788,148 |
| Care and maintenance costs (Note 6) | - | 2,532,458 | 3,081,698 |
| Interest and financing costs | - | 481,966 | 254,217 |
| Loss on sale of Beaufor Mine | - | - | 250,679 |
| Write-down of resource assets | - | - | 1,073,817 |
| Gain on sale of property, plant and equipment | **(72,151)** | (35,511) | (276,637) |
| Capital taxes | **277,733** | 157,358 | 126,347 |
| | **18,255,654** | 19,912,389 | 20,763,488 |
| LOSS FOR THE YEAR BEFORE THE FOLLOWING: | **(196,021)** | (2,883,102) | (6,190,612) |
| INCOME TAX EXPENSE (Note 11) | **(105,133)** | (60,634) | (44,555) |
| **NET LOSS FOR THE YEAR** | **(301,154)** | (2,943,736) | (6,235,167) |
| DEFICIT – BEGINNING OF YEAR | | | |
| AS PREVIOUSLY REPORTED | **(54,319,868)** | (51,550,962) | (45,479,454) |
| CHANGE IN ACCOUNTING POLICY (Note 3 (a)) | **1,365,643** | 1,540,473 | 1,704,132 |
| DEFICIT - AS RESTATED | **(52,954,225)** | (50,010,489) | (43,775,322) |
| **DEFICIT – END OF YEAR** | **(53,255,379)** | (52,954,225) | (50,010,489) |
| LOSS PER SHARE (Note 10) - Basic and Diluted | **(0.00)** | (0.06) | (0.16) |
| Weighted average number of Common shares outstanding | **81,762,760** | 51,942,493 | 39,013,351 |

*The attached notes form an integral part of these consolidated financial statements.*

# Aurizon Mines Ltd.
# Consolidated Statements of Cash Flow
# For the years ended December 31, (in Canadian Dollars)

| | 2003 | 2002 | 2001 |
|---|---|---|---|
| | $ | $ (As Restated) | $ (As Restated) |
| **OPERATING ACTIVITIES** | | | |
| Net loss for the year | **(301,154)** | (2,943,736) | (6,235,167) |
| Add (deduct) items not requiring an outlay of cash: | | | |
| Depreciation and depletion | **2,855,690** | 2,486,956 | 1,939,500 |
| Accretion | **176,520** | 164,527 | 153,356 |
| Interest and financing costs | - | 481,966 | 254,217 |
| Write-down of resource assets | - | - | 1,073,817 |
| Loss on sale of resource assets | - | - | 250,679 |
| Gain on sale of property, plant and equipment | **(72,151)** | (35,511) | (276,637) |
| Care and maintenance | **-** | 118,356 | 323,106 |
| Stock based compensation | **414,000** | - | - |
| Cash flow from operations | **3,072,905** | 272,558 | (2,517,129) |
| Decrease (increase) in non-cash working capital items (Note 13) | **753,313** | (39,736) | (243,830) |
| | **3,826,218** | 232,822 | (2,760,959) |
| **INVESTING ACTIVITIES** | | | |
| Property, plant and equipment | **(1,096,784)** | (220,393) | (113,967) |
| Cost recoveries from non-operating assets | **-** | - | 989,321 |
| Mineral properties | **(20,373,464)** | (5,796,165) | (1,839,738) |
| Reclamation deposits | **(428,650)** | - | - |
| Sale of Beaufor Mine | **-** | - | 1,664,384 |
| Proceeds on disposal of property, plant and equipment | **180,900** | 96,748 | 369,127 |
| | **(21,717,998)** | (5,919,810) | 1,069,127 |
| **FINANCING ACTIVITIES** | | | |
| Government grant (Note 6 (a)) | **-** | 52,400 | 337,495 |
| Mining duties | **102,844** | 555,487 | - |
| Refundable tax credits | **390,310** | - | - |
| Issuance of shares | **32,037,577** | 20,055,796 | 69,450 |
| Long-term debt repayments | **-** | (4,321,862) | (119,600) |
| | **32,530,731** | 16,341,821 | 287,345 |
| INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | **14,638,951** | 10,654,833 | (1,404,487) |
| CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR | **12,441,888** | 1,787,055 | 3,191,542 |
| CASH AND CASH EQUIVALENTS - END OF YEAR | **27,080,839** | 12,441,888 | 1,787,055 |

*The attached notes form an integral part of these consolidated financial statements.*
*Supplemental cash flow information is disclosed in note 13.*

# Aurizon Mines Ltd.
# Notes to Consolidated Financial Statements
# For the years ended December 31, 2003, 2002 and 2001

## 1. NATURE OF OPERATIONS

The Company is engaged in mining and related activities in Quebec, Canada, and its principal product is gold bullion.

The Company's results are impacted by the price of gold. Gold prices fluctuate and are affected by numerous factors, including expectations with respect to the rate of inflation, exchange rates, interest rates, global and regional political and economic crises and governmental policies with respect to gold holdings by central banks. The demand for and supply of gold affect gold prices but not necessarily in the same manner as demand and supply affect the prices of other commodities. The supply of gold consists of a combination of mine production and existing stocks of bullion and fabricated gold held by governments, public and private financial institutions, industrial organizations and private individuals. The demand for gold consists of jewelry and investment demand. Gold can be readily sold on numerous markets throughout the world and its market value can be readily ascertained at any particular time. As a result, the Company is not dependent upon any one customer for the sale of its product.

The Company relies on the Sleeping Giant Mine as its only current source of operating cash flow. Production based on current proven and probable reserves is expected to continue for approximately three years. Additional production from Sleeping Giant will be dependent on the results of current and future exploration and development programs to discover new reserves.

A significant focus of the Company's activities is currently the continuing exploration of the Casa Berardi property. A major underground and surface exploration program is underway in order to advance the project to commercial production.

## 2. SIGNIFICANT ACCOUNTING POLICIES

a) Canadian Generally Accepted Accounting Principles

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles. Measurement differences between Canadian and United States generally accepted accounting principles which would have a material effect on these consolidated financial statements are explained in note 15.

b) Principles of Consolidation

Certain of the Company's activities are undertaken in joint ventures with other parties. The Company accounts for its investments in joint ventures using the proportionate consolidation method.

c) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and related notes. Significant areas where management's judgment is applied are mineral reserves and resources, depreciation rates, asset valuations, contingent liabilities, future income tax valuation reserves and environmental and post-closure obligations. Actual results could differ from those estimates.

d) Cash Equivalents

The Company considers cash equivalents to be cash, as well as all short-term investments with a maturity of 90 days or less at the date of acquisition.

e) Inventory

Inventory is comprised of mine supplies and broken ore awaiting processing. Broken ore is recorded at the lower of cost and net realizable value and mine supplies are recorded at the lower of cost and net replacement value.

## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

f) Mineral Properties

i) Producing Mineral Properties

Producing mineral properties are carried at cost, less accumulated depreciation, depletion, and write-downs. Carrying values of producing mineral properties and the property, plant and equipment associated with those mineral properties are reviewed when events or conditions occur that suggest possible impairment and, where necessary, are written down to their estimated recoverable amount, determined on a non-discounted basis. Depletion is provided over the estimated life of the asset on a unit-of-production basis using proven and probable reserves. Management's estimates of gold price, recoverable proven and probable reserves, operating, capital and reclamation costs are subject to risks and uncertainties affecting the recoverability of the Company's investment in property, plant and equipment. Although management has made its best estimate of these factors based on current conditions, it is possible that changes could occur in the near term which could adversely affect management's estimate of net cash flows expected to be generated from its operating properties and the need for possible asset impairment write-downs.

Mining operations may be temporarily suspended and a mine placed on a “care-and-maintenance” basis. In this event, all costs incurred are expensed as care and maintenance costs.

ii) Non-Producing Mineral Properties

Acquisition, exploration and development costs associated with a non-producing mineral property are capitalized until the property is producing, abandoned, impaired in value or placed for sale. The costs are transferred to producing mineral properties in the case of a property placed into production. The costs of abandoned properties are charged to earnings when the property is abandoned. Net revenue derived from ore processed up to the point of attaining commercial production is credited to the related deferred expenditures. The costs of properties in excess of their estimated net recoverable amount are charged to earnings if the decision is made to dispose of the property or if it is determined that the property is impaired in value.

Care and maintenance costs are charged to operations during years in which no significant exploration or development activities are being conducted.

The recoverability of the amounts capitalized in respect of non-producing mineral properties is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the exploration and development of the properties, and upon future profitable production or proceeds from the disposition of the properties.

g) Estimates of Proven and Probable Reserves

Management's calculation of proven and probable reserves is based upon engineering and geological estimates and financial estimates including gold prices and operating costs. The Company depreciates some of its assets on a unit-of-production basis over proven and probable reserves. Changes in geological interpretations of the Company's ore bodies and changes in gold prices and operating costs may change the Company's estimate of proven and probable reserves. It is possible that the Company's estimate of proven and probable reserves could change in the near term and could result in revised charges for depreciation and depletion in future reporting periods.

h) Property, Plant and Equipment

Property, plant and equipment are recorded at cost less accumulated depreciation and write-downs and are depreciated over their estimated useful lives, primarily on the unit-of-production basis and a 20% declining balance rate for machinery and equipment. Depreciation is not provided on assets not in use.

i) Revenue Recognition

The Company recognizes revenue from metals when they have been extracted and processed at the mill facilities. Revenue amounts recognized but not settled are classified as bullion settlements.

Royalty income is recognized on an accrual basis when the Company has reasonable assurance with respect to measurement and collectability.

## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

j) Hedging Transactions

The Company uses forward gold and currency contracts to manage its exposure to the fluctuating price of gold and foreign exchange movements. Gains or losses from gold hedging are recognized in revenue as hedged production is delivered.

k) Foreign Currency Translation

Foreign currency transactions are translated into Canadian dollars at the rates prevailing on the date of the transactions. Monetary balances are translated at the rate of exchange at the balance sheet date and revenue and expenses are translated at average exchange rates. The resulting gains and losses are included in the determination of earnings.

l) Asset Retirement Obligations

Effective January 1, 2003, the Company adopted the new CICA Accounting Standard for asset retirement obligations which requires the fair value of liabilities for asset retirement obligations be recorded in the period in which they occur. At each reporting period, the asset retirement obligations, or liabilities, are increased to reflect the interest element (accretion expense) considered in the initial fair value measurement of the liabilities. In addition, an asset retirement cost is added to the carrying amount of the related asset and depreciated over the life of the asset.

m) Government Assistance

The Company applies for financial assistance from the Government of Quebec with respect to certain exploration and development costs incurred in Quebec. The assistance is accounted for using the cost reduction approach whereby the amounts received or receivable each year are applied to reduce the cost of the related assets or related deferred expenditures or expenses.

n) Stock Based Compensation

Effective January 1, 2003, the Company elected to apply the fair value method of accounting for stock options granted to directors, officers and employees on a prospective basis in accordance with the recommendations of the CICA. Accordingly, the fair value of all stock options granted are recorded as a charge to operations and a credit to shareholders' equity. Consideration received on exercise of stock options is credited to share capital.

o) Income and Resource Taxes

Future income tax assets and liabilities are determined based on the difference between the tax bases of the company's assets and liabilities and the respective amounts reported in the financial statements. The future tax assets or liabilities are calculated using the tax rates for the periods in which the differences are expected to be settled. Future tax assets are recognized to the extent that they are considered more likely than not to be realized.

p) Earnings Per Share

The Company follows the "treasury stock method" in the calculation of diluted earnings per share. Earnings (loss) per share is calculated using the weighted average number of common shares issued and outstanding during the year.

## 3. CHANGE IN ACCOUNTING POLICIES

a) Asset Retirement Obligations

On January 1, 2003, the Company retroactively adopted the new CICA Accounting Standard, section 3110 for asset retirement obligations.

The adoption of the new standard, has resulted in an increase in property, plant and equipment of $826,554, an increase in asset retirement obligations of $2,445,911 and a decrease in reclamation liabilities totaling $2,985,000. The cumulative effect of this accounting change in 2003 was a $1,365,643 credit to the opening deficit.

The effect on earnings was an increase in the net loss for the year of $186,823, $174,830, and $163,659 for 2003, 2002, and 2001 respectively.

b) Stock-Based Compensation

Effective January 1, 2003, the Company elected to apply the fair value method of accounting for stock options granted to directors, officers and employees on a prospective basis. The adoption of this standard has resulted in a charge to operations in 2003 of $414,000.

## 4. INVESTMENTS IN JOINT VENTURES

The Company's proportionate share of its interests in and results from its joint ventures (see note 6) is as follows:

| | 2003 | 2002 |
|---|---|---|
| | $ | $ |
| **ASSETS** | | |
| Current | 1,445,171 | 395,012 |
| Long-term | 7,811,102 | 4,222,224 |
| | 9,256,273 | 4,617,236 |
| **LIABILITIES** | | |
| Current | 2,601,415 | 2,349,900 |
| Asset retirement obligations | 651,405 | 651,405 |
| Long-term liabilities | 1,359,842 | 1,276,847 |
| | 4,612,662 | 4,278,152 |
| **JOINT VENTURERS' EQUITY** | 4,643,611 | 339,084 |
| **TOTAL LIABILITIES AND JOINT VENTURERS' EQUITY** | 9,256,273 | 4,617,236 |
| | | |
| **REVENUES** | 17,485,922 | 16,372,858 |
| **EXPENSES** | 15,269,932 | 15,006,262 |
| **OPERATING EARNINGS** | 2,215,990 | 1,366,596 |
| | | |
| **CASH PROVIDED BY (USED FOR)** | | |
| Operating activities | 4,854,581 | 4,414,792 |
| Investing activities | (6,186,442) | (2,896,976) |
| Financing activities | - | 52,400 |
| Increase (decrease) in cash | (1,331,861) | 1,570,216 |

5. **PROPERTY, PLANT AND EQUIPMENT**

| | 2003 | 2002 |
|---|---|---|
| | $ | $ |
| Cost | 27,501,154 | 26,509,521 |
| Accumulated depreciation | (19,515,312) | (19,058,877) |
| Net Book Value | 7,985,842 | 7,450,644 |
| Net Book Values: | | |
| Sleeping Giant, Quebec | 1,154,352 | 1,180,414 |
| Casa Berardi, Quebec | 6,338,943 | 5,733,484 |
| Others, Canada | 492,547 | 536,746 |
| | 7,985,842 | 7,450,644 |

6. **MINERAL PROPERTIES**

| | 2003 | | | 2002 | | |
|---|---|---|---|---|---|---|
| | Cost | Accumulated depletion and write-downs | Net | Cost | Accumulated depletion and write-downs | Net |
| | $ | $ | $ | $ | $ | $ |
| **Producing mineral property** | | | | | | |
| Sleeping Giant, Quebec | 52,078,773 | (45,422,023) | 6,656,750 | 46,095,487 | (43,022,768) | 3,072,719 |
| **Non-producing mineral property** | | | | | | |
| Casa Berardi, Quebec | 30,913,989 | - | 30,913,989 | 18,071,635 | - | 18,071,635 |
| | 82,992,762 | (45,422,023) | 37,570,739 | 64,167,122 | (43,022,768) | 21,144,354 |

a) Sleeping Giant Mine and Dormex Property

The Company holds a 50% joint venture interest in the Sleeping Giant Mine near Amos, Quebec, subject to royalties of 2% of gross operating profits and a 15% net profits royalty (after recovery of all costs associated with the development of the property).

During 2002, the Company was provided with a $52,400 (2001 - $337,495) non-repayable government grant to fund exploration activity at the Sleeping Giant Mine.

As at December 31, 2003, the Company had provided $651,405 (2002 - $651,405) in respect of estimated severance payable on mine closure.

b) Casa Berardi Property

The Company holds a 100% interest in the Casa Berardi property near La Sarre, Quebec.

During 2003, when significant exploration was underway, care and maintenance costs were capitalized, whereas these costs were charged to operations in 2002 ($2,532,458) and 2001 ($2,633,439), during which time there was limited exploration activities. During 2002, the company acquired the 2% to 4% gold indexed net smelter royalty from the original vendor of the property for $1,119,600.

As at December 31, 2003, the Company has received government assistance totaling $1,973,161 that is repayable if commercial production is reached at Casa Berardi. Repayment of 30% of the assistance is due within 24 months, an additional 30% within 36 months, and the remaining 40% within 48 months of the achievement of commercial production. Should commercial production be reached at Casa Berardi, the repayable government assistance will be recorded as a liability and the carrying value of the mineral property will be increased by the same amount.

## 6. MINERAL PROPERTIES (Continued)

No government assistance has been received for Casa Berardi in the past three years.

As at December 31, 2003 the Company has accrued $1,736,703 in respect of Quebec refundable tax credits arising from certain eligible exploration expenditures (2002 - $390,310). In addition, the Company has $3.3 million of non-refundable tax credits which may be applied against Quebec capital and income taxes.

c) Beaufor Mine and Perron Property

The Company retains a gold-indexed royalty on future gold production from the Beaufor mine and Perron property. On the first 220,000 ounces of gold production from Beaufor, the Company will receive a royalty of $5 per ounce on 50% of the production if the prevailing gold price is greater than US$280 per ounce, and $12.50 per ounce if gold prices are above US$300. On production in excess of 220,000 ounces, the Company will receive royalties ranging from $17 per ounce to $30 per ounce at gold prices ranging from US$300 to US$500 per ounce.

The Company also retains a royalty on 100% of any production from the Perron property, ranging from $17 per ounce to $30 per ounce at gold prices ranging from US$300 to US$500 per ounce.

During 2003, the Company received royalties totaling $342,513 in respect of the Beaufor mine (2002 - $350,400). There has been no commercial production from the Perron property to date.

During 2001, the Company sold its 50% interest in the Beaufor mine and 100% interest in the Perron property for cash consideration of $1,664,384 and future royalties. The Company recorded a loss on disposition of $250,679.

## 7. ASSET RETIREMENT OBLIGATIONS

| | 2003 | | | 2002 | | |
|---|---|---|---|---|---|---|
| | Beginning of year | Accretion | End of year | Beginning of year | Accretion | End of Year |
| | $ | $ | $ | $ | $ | $ |
| **Producing mineral property** | | | | | | |
| Sleeping Giant, Quebec | 1,276,847 | 82,995 | 1,359,842 | 1,198,917 | 77,930 | 1,276,847 |
| **Non-producing mineral property** | | | | | | |
| Casa Berardi, Quebec | 1,169,064 | 93,525 | 1,262,589 | 1,082,468 | 86,597 | 1,169,065 |
| | 2,445,911 | 176,520 | 2,622,431 | 2,281,385 | 164,527 | 2,445,912 |

| | Total Undiscounted Asset Retirement Obligation | Credit-adjusted risk-free rates | Estimated Timing of payment |
|---|---|---|---|
| | $ | | |
| Sleeping Giant, Quebec | 1,642,621 | 6.5% | 2006 |
| Casa Berardi, Quebec | 2,725,836 | 8.0% | 2014 |
| | 4,368,457 | | |

8. SHARE CAPITAL

a) Authorized:

500,000,000 Common Shares without par value.

100,000,000 Preferred Shares without par value of which 8,050,000 are designated as Series "A" Convertible Preferred Shares (Issued - none) and 1,135,050 are designated as Series "B" Convertible Preferred Shares (Issued - none).

b) Issued and fully paid:

| | Shares | Amount |
|---|---|---|
| **Common Shares** | | $ |
| December 31, 2000 | 38,478,859 | 62,334,432 |
| Exercise of stock options | 463,000 | 69,450 |
| Renegotiation of debt | 1,000,000 | 350,000 |
| Payment of interest | 320,907 | 96,438 |
| December 31, 2001 | 40,262,766 | 62,850,320 |
| Exercise of stock options | 375,000 | 274,900 |
| Payment of interest | 639,246 | 289,745 |
| Private placements | 21,375,925 | 19,559,396 |
| Exercise of warrants | 350,000 | 221,500 |
| December 31, 2002 | 63,002,937 | 83,195,861 |
| Conversion of Convertible Debenture (Note 9) | 11,666,690 | 6,517,534 |
| Exercise of stock options | 1,938,000 | 1,597,000 |
| Private placements | 15,940,740 | 27,158,769 |
| Exercise of warrants | 4,814,252 | 3,281,809 |
| December 31, 2003 | 97,362,619 | 121,750,973 |

On May 9, 2003, the Company completed a private placement of 3,700,000 flow through common shares at a price of $1.35 per share, resulting in gross proceeds of $4,995,000 (Note 12 (b)). In addition, the Company issued broker warrants entitling the holder to purchase 222,000 common shares at a price of $1.35 per share on or before May 9, 2004.

On August 21, 2003, the Company completed a private placement of 740,740 units at a price of $1.35 per unit, resulting in gross proceeds of $1,000,000. Each unit comprises one common share and one half of one common share purchase warrant. Each full warrant entitles the holder to acquire one common share at a price of $1.60 per share on or before August 21, 2005.

On September 10, 2003, the Company completed a private placement of 11,500,000 units at a price of $2.00 per unit, resulting in gross proceeds of $23 million. Each unit comprises one common share and one half of one common share purchase warrant. Each full warrant entitles the holder to acquire one common share at a price of $2.50 per share, on or before September 10, 2005.

Issue costs relating to the above private placements in 2003 totaled $1,836,232.

On April 18, 2002, the Company completed a private placement of 8,350,000 units at a price of $0.60 per unit ("Unit") resulting in gross proceeds of $5,010,000. Each Unit consists of one common share and one-half of one common share purchase warrant. Each whole warrant entitles the holder to acquire one common share at a price of $0.65 per share prior to June 30, 2003. In addition, the Company issued broker warrants entitling the holder to purchase 501,000 Units at a price of $0.62 per Unit on or before June 30, 2003.

8. **SHARE CAPITAL (Continued)**

On June 25, 2002 the Company completed a private placement of 7,100,000 shares at a price of $1.15 per share resulting in gross proceeds of $8,165,000. In addition, the Company issued broker warrants entitling the holder to purchase 426,000 shares at a price of $1.32 per share on or before June 25, 2004.

On December 23, 2002 the Company completed a Private Placement of 5,185,185 flow through common shares and 740,740 common shares, both at a price of $1.35 per share, resulting in gross proceeds of $8,000,000. In addition, the Company issued broker warrants entitling the holder to purchase 355,555 common shares at a price of $1.35 per share on or before December 23, 2004.

Issue costs relating to the above private placements in 2002 totaled $1,615,604.

c) Warrants

Warrants issued to brokers and private placement investors as at December 31, 2003 and 2002 and the changes during the years ended on those dates are presented below:

| | 2003 | | 2002 | |
|---|---|---|---|---|
| | Shares | Weighted-average exercise price | Shares | Weighted-average exercise price |
| Outstanding at beginning of year | 5,358,055 | $0.75 | - | - |
| Issued | 6,342,404 | $2.41 | 5,708,055 | $0.74 |
| Exercised | (4,814,252) | $0.68 | (350,000) | $0.63 |
| Outstanding at end of year | 6,886,207 | $2.32 | 5,358,055 | $0.75 |

A summary of information about the warrants outstanding and exercisable at December 31, 2003 is as follows:

| Exercise prices | Number outstanding | Weighted-average remaining contractual life | Weighted-average exercise price |
|---|---|---|---|
| $1.32 - $1.60 | 1,136,207 | 1.0 year | $1.42 |
| $2.50 | 5,750,000 | 1.8 years | $2.50 |

d) Incentive Stock Options

The Company maintains an incentive stock option plan ("the plan") covering directors and certain key employees. The exercise price of the options is equal to the fair value of the common shares at the date of grant and the options are fully vested and exercisable in full at the date of grant. The maximum number of options available under the plan may not exceed 7,000,000 shares.

The status of stock options granted to employees and directors as at December 31, 2003 and 2002 and the changes during the years ended on those dates is presented below:

| | 2003 | | 2002 | |
|---|---|---|---|---|
| | Shares | Weighted-average exercise price | Shares | Weighted-average exercise price |
| Outstanding at beginning of year | 4,087,000 | $0.93 | 3,687,000 | $0.84 |
| Granted | 865,000 | $2.00 | 1,390,000 | $1.07 |
| Exercised | (1,938,000) | $0.82 | (375,000) | $0.73 |
| Expired | - | - | (615,000) | $0.81 |
| Outstanding at end of year | 3,014,000 | $1.31 | 4,087,000 | $0.93 |

8. **SHARE CAPITAL (Continued)**

A summary of information about the incentive stock options outstanding and exercisable at December 31, 2003 is as follows:

| Exercise prices | Number outstanding | Weighted-average remaining contractual life | Weighted-average exercise price |
|---|---|---|---|
| $0.60 - $0.72 | 592,500 | 0.6 year | $0.69 |
| $1.00 - $1.35 | 1,556,500 | 1.0 year | $1.17 |
| $2.00 | 865,000 | 3.0 years | $2.00 |

Effective January 1, 2003, the Company elected to apply the fair value method of accounting for stock options on a prospective basis, and, accordingly, the fair value of stock options granted in 2003 of $414,000 has been charged to operations.

The following is the Company's pro forma loss with the fair value method applied to options issued during 2002:

| | 2002 |
|---|---|
| | $ |
| Loss for the year | (2,943,736) |
| Compensation expense related to fair value of stock options | (553,046) |
| Pro forma loss for the year | (3,496,782) |
| Pro forma loss per share: | |
| Basic and Diluted | (0.07) |

The fair value of each option grant is estimated on the date of grant based on the Black-Scholes option-pricing model with the following weighted-average assumptions used for grants:

| | **2003** | 2002 |
|---|---|---|
| Expected volatility | 69% | 66% |
| Risk-free interest rate | 2.80% | 3.24% |
| Expected lives | 2 Years | 2 Years |
| Dividend yield | Nil | Nil |

9. **CONVERTIBLE DEBENTURES**

During 2003, 11,666,690 common shares were issued pursuant to the conversion of a $7,000,000 non-interest bearing convertible debenture (net proceeds of $6,517,534). The debentures were convertible in whole or in part, into common shares of the Company at $0.60 per share, at any time prior to May 31, 2003.

## 10. EARNINGS PER SHARE

Earnings (loss) per share has been calculated based on the weighted average number of shares outstanding during the year ended December 31, 2003 of 81,762,760 shares (2002 - 51,942,493 shares, 2001 - 39,013,351 shares).

For the purposes of calculating diluted earnings per share, for 2003, the private placement warrants and incentive stock options would result in the addition of 237,041 and 914,418 common shares, respectively to the weighted average number of shares outstanding. The exercise of these warrants and options would be anti-dilutive.

## 11. INCOME TAXES

A reconciliation of the combined Canadian federal and provincial income taxes at statutory rates and the Company's effective income tax expense is as follows:

| | 2003 | 2002 | 2001 |
|---|---|---|---|
| | $ | $ | $ |
| Income tax recovery at statutory rates | (64,726) | (947,895) | (2,229,973) |
| Increase (decrease) in taxes from: | | | |
| Tax benefits not recognized | 64,726 | 947,895 | 2,229,973 |
| Large corporations tax | 105,133 | 60,634 | 44,555 |
| | 105,133 | 60,634 | 44,555 |

The components of future tax assets are as follows:

| | 2003 | 2002 |
|---|---|---|
| | $ | $ |
| Resource assets | 4,482,600 | 7,228,183 |
| Asset retirement obligations | 1,000,181 | 1,037,830 |
| Other | 300,584 | 452,627 |
| Non-capital losses | 3,595,934 | 3,081,934 |
| | 9,379,299 | 11,800,574 |
| Valuation allowance | (9,379,299) | (11,800,574) |
| Future income tax assets | - | - |

As at December 31, 2003, a future income tax liability of $967,320 existed in respect of Quebec mining duties.

The Company has approximately $59 million of accumulated exploration and development costs and capital costs available for deduction against income for tax purposes in future years, which may be carried forward indefinitely. The Company also has non-capital losses of $11.5 million which may be carried forward until 2006 to 2010, before expiring. No benefit has been recognized in respect of these amounts. The deductibility of certain of the amounts is restricted to income from certain properties.

## 12. COMMITMENTS

a) The Company leases office space under two agreements. Under one agreement expiring on August 31, 2005, the Company has subleased the office space resulting in a net obligation of approximately $25,000 per annum. Under a second agreement expiring February 29, 2004, which was extended to February 29, 2008, the Company's obligation approximates $46,000 per annum.

b) At December 31, 2003, the Company has a commitment to incur $4,995,000 of eligible flow though expenditures at Casa Berardi prior to December 31, 2004.

## 13. CASH FLOW INFORMATION

a) Analysis of Change in Non-cash Working Capital Items

| | 2003 | 2002 | 2001 |
|---|---|---|---|
| | $ | $ | $ |
| Accounts receivable | (98,999) | 22,747 | 7,252 |
| Bullion settlements | (175,640) | (129,517) | 629,239 |
| Inventory | (621,604) | 114,625 | (60,300) |
| Prepaids | (175,856) | (81,720) | 40,500 |
| Accounts payable and accrued liabilities | 1,825,412 | 34,129 | (860,521) |
| Decrease (increase) in non-cash working capital | 753,313 | (39,736) | (243,830) |

b) Supplemental Cash Flow Information

| | 2003 | 2002 | 2001 |
|---|---|---|---|
| | $ | $ | $ |
| Non-cash Investing and Financing Activities | | | |
| Shares issued to pay interest | - | 289,745 | 96,438 |
| Shares issued for finance costs | - | - | 350,000 |

c) During 2003, the Company paid taxes of $97,470 (2002 - $239,846; 2001 - $1,490) and interest of $1,313 (2002 - $15,878; 2001 - $13,406).

## 14. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value approximates the amounts reflected in the consolidated financial statements for cash and cash equivalents, bullion settlements, accounts receivable, refundable tax credits, reclamation deposits, and accounts payable.

At December 31, 2003, the Company held US$2.0 million of foreign currency contracts for 2004 at an average conversion rate of 1.34 into Canadian dollars. Using a foreign exchange rate at December 31, 2003 of C$/US$1.29, the unrealized mark-to-market gain was approximately $84,325.

At December 31, 2002, the Company held 2,000 ounces of gold spot deferred contracts for 2003 at an average delivery price of US$330 per ounce. The unrealized mark-to-market loss on these gold contracts was approximately $41,000. The Company also held US$2.0 million of foreign currency contracts for 2003 at an average conversion rate of 1.606 into Canadian dollars. The unrealized mark-to-market gain on these foreign currency contracts was approximately $53,000.

## 15. DIFFERENCES BETWEEN CANADIAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES

The effect of the material measurement differences between generally accepted principles in Canada and the U.S. on the Company's balance sheets and statements of loss and deficit is summarized as follows:

a) Balance Sheets

| | 2003 | 2002 |
|---|---|---|
| | $ | $ |
| Bullion settlements under Canadian GAAP | 781,685 | 606,045 |
| Bullion settlements under U.S. GAAP (g) | - | - |
| Deferred finance costs under Canadian GAAP | - | - |
| Deferred finance costs under U.S. GAAP (e) | - | 64,329 |
| Mineral properties – under Canadian GAAP | 37,570,739 | 21,144,354 |
| Exploration expenditures written off under U.S. GAAP (c) | (9,101,522) | (9,101,522) |
| Mineral properties – under U.S. GAAP | 28,469,217 | 12,042,832 |
| Convertible debenture shown as debt under Canadian GAAP | - | - |
| Convertible debenture shown as debt under U.S. GAAP (e) | - | 6,961,616 |
| Shareholders' equity – under Canadian GAAP | 69,652,537 | 37,502,113 |
| Deficit – under Canadian GAAP | 53,255,379 | 52,954,225 |
| Deficit – under U.S. GAAP | (65,716,539) | (66,649,278) |
| Share capital – under Canadian GAAP | (121,750,973) | (83,195,861) |
| Share capital – under U.S. GAAP | 122,233,438 | 83,195,861 |
| Contributed surplus arising from convertible debenture warrants under U.S. GAAP (e) | 287,893 | 287,893 |
| Convertible debentures shown as equity under Canadian GAAP (e) | - | (6,517,534) |
| Shareholders' equity – under U.S. GAAP | 57,961,735 | 17,577,419 |

## 15. DIFFERENCES BETWEEN CANADIAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (Continued)

b) Statements of Operations and Deficit

| | 2003 | 2002 | 2001 |
|---|---|---|---|
| | $ | $ | $ |
| Loss - under Canadian GAAP | (301,154) | (2,943,736) | (6,235,167) |
| Asset retirement amortization | - | 174,830 | 163,659 |
| Exploration expenditures and mineral property write-downs (c) | - | - | 1,518,498 |
| Amortization of deferred financing charges (e) | (64,330) | (96,493) | (96,493) |
| Accretion of convertible debentures (e) | (38,384) | (57,579) | (57,579) |
| Unrealized derivative gains (f) | 84,325 | 12,330 | - |
| Revenue recognition (g) | (113,361) | (79,385) | 577,149 |
| Cumulative impact of adopting FAS 143 | 1,365,643 | - | - |
| Earnings (Loss) - under U.S. GAAP | 932,739 | (2,990,033) | (4,129,933) |
| Basic and diluted loss per common share before cumulative impact of adopting FAS 143 | (0.01) | (0.06) | (0.11) |
| Basic and diluted earnings (loss) per common share - under U.S. GAAP | 0.01 | (0.06) | (0.11) |
| Deficit - under U.S. GAAP - Beginning of Year | (66,649,278) | (63,659,245) | (59,529,312) |
| Earnings (Loss) - under U.S. GAAP | 932,739 | (2,990,033) | (4,129,933) |
| Deficit - under U.S. GAAP - End of Year | (65,716,539) | (66,649,278) | (63,659,245) |

c) Mineral Property Exploration Expenditures

Mineral property exploration expenditures are accounted for in accordance with Canadian GAAP as disclosed in note 2. For U.S. GAAP purposes, the Company expenses as incurred exploration expenditures relating to unproven mineral properties. When proven and probable reserves are determined for a property, subsequent exploration and development costs of the property are capitalized. The capitalized costs of such properties are assessed, on a periodic basis, to ensure that the carrying value can be recovered on an undiscounted cash flow basis. If the carrying value cannot be recovered on this basis, the mineral properties would be written down to net recoverable value on a discounted cash flow basis.

d) Stock-Based Compensation

For Canadian GAAP purposes, the Company has prospectively adopted the fair value based method of accounting for stock based compensation. For U.S. GAAP purposes, the Company has prospectively adopted FAS 148, which results in no differences between Canadian and U.S. GAAP.

e) Convertible Debentures

Under Canadian GAAP, the convertible debentures referred to in note 9 were accounted for as equity, net of issue costs, whereas under U.S. GAAP, they would have been accounted for as a long-term liability.

Under U.S. GAAP, warrants attached to a convertible debenture must be allocated as part of the original proceeds and shown separately as a permanent component of equity. The principal amount of the debt was returned to its face value over the life of the instrument with the accretion being charged to earnings. The costs of issuing the instrument were treated as a deferred financing charge and amortized over its term.

## 15. DIFFERENCES BETWEEN CANADIAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (Continued)

f) Accounting for Derivative Instruments and Hedging Activities

At December 31, 2003, the Company had outstanding foreign exchange derivative instruments with an unrealized mark-to-market gain of $84,325. Under U.S. GAAP, the Company is required to record unhedged derivative gains and losses in income.

At December 31, 2002, the Company had outstanding gold and foreign exchange derivative with an unrealized mark-to-market gain of $12,330.

g) Revenue Recognition

The Company recognizes revenue from metals when they have been extracted and processed at the mill facilities. Revenue amounts recognized but not settled are classified as bullion settlements. Under U.S. GAAP, revenue is not recorded before title has passed. Effective January 1, 2004 the Company will adopt new standards for revenue recognition under Canadian GAAP which are consistent with U.S. GAAP.

h) New Pronouncements

i) Asset Retirement Obligations

Effective January 1, 2003, the Company retroactively adopted SFAS No. 143, "Accounting for Asset Retirement Obligations." This statement addresses financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. It requires that the fair value of a liability for an asset retirement obligation be recognized in the period in which it is incurred if a reasonable estimate of fair value can be made. The associated asset retirement costs are capitalized as part of the carrying amount of the long-lived asset.

The Company also adopted CICA 3110 (see note 3 (a)). Under Canadian GAAP, retroactive adoption with prior year restatement is required. Under U.S. GAAP, the cumulative impact on retained earnings is not adjusted retroactively but is shown in income for the year in accordance with APB 20.

ii) Impairment of Long-Lived Assets

The Accounting Standards Board of the CICA has issued CICA 3063, "Impairment of Long-Lived Assets", which will be effective for years beginning on or after April 1, 2003. This statement establishes standards for the recognition, measurement and disclosure of the impairment of non-monetary long-lived assets, including property, plant and equipment, intangible assets with finite useful lives, deferred pre-operating costs and long-term prepaid assets. The Company will adopt the new standard on January 1, 2004. The Company does not expect that the implementation of this new standard will have a material impact on its financial position or results of operations.

iii) Hedging Transactions

The CICA has issued Accounting Guideline 13, "Hedging Relationships," (AcG 13) which will be effective for years beginning on or after July 1, 2003. AcG 13 addresses the identification, designation, documentation, and effectiveness of hedging transactions for the purposes of applying hedge accounting. It also establishes conditions for applying or discontinuing hedge accounting. Under the new guideline, the Company will be required to document its hedging transactions and explicitly demonstrate that the hedges are sufficiently effective in order to continue accrual accounting for positions hedged with derivatives. The Company does not intend to apply hedge accounting to its derivative instruments.

# INVESTOR INFORMATION

STOCK EXCHANGE LISTINGS
Toronto Stock Exchange:
Ticker Symbol: **ARZ**
The American Stock Exchange:
Ticker Symbol: **AZK**

## Aurizon's Competitive Advantage

**Key Strategy** Focused on Gold Camps close to known infrastructure

**Casa Berardi**

- Extensive existing infrastructure: mill, garages, underground workings
- Tailings ponds
- Road access
- Hydro power
- Ready, available, skilled labour

**Cost Advantage**

- Pre-production costs not materially impacted by rising fuel and steel prices

**Exploration Upside**

- East Mine
- West of the West Mine
- At depth between the mines
- Along the 37 km of the Casa Berardi Fault

**On Schedule on Budget**

- Fully Staffed – Experienced technical team

L O W R I S K

### CLOSING PRICE OF SHARES ON DECEMBER 31, 2003 - $1.97

| 2003 TRADING ON TORONTO STOCK EXCHANGE - $ CDN | | | |
|---|---|---|---|
| **Quarter** | **High** | **Low** | **Volume** |
| First | $1.71 | $1.06 | 5,795,000 |
| Second | $1.50 | $1.07 | 7,745,000 |
| Third | $2.24 | $1.27 | 23,092,000 |
| Fourth | $2.43 | $1.66 | 24,705,000 |
| | | | 61,337,000 |
| Amex* | US$1.88 | US$1.27 | 4,383,000 |
| **Total** | | | **65,720,000** |

*AURIZON SHARES BEGAN TRADING ON AMEX ON NOV. 10, 2003 UNDER THE TICKER SYMBOL: AZK

| 2002 TRADING ON TORONTO STOCK EXCHANGE - $ CDN | | | |
|---|---|---|---|
| **Quarter** | **High** | **Low** | **Volume** |
| First | $0.75 | $0.22 | 3,855,000 |
| Second | $1.85 | $0.70 | 14,145,000 |
| Third | $1.69 | $0.94 | 6,198,000 |
| Fourth | $1.54 | $1.02 | 5,310,000 |
| **Total** | | | **29,508,000** |

| 2001 TRADING ON TORONTO STOCK EXCHANGE - $ CDN | | | |
|---|---|---|---|
| **Quarter** | **High** | **Low** | **Volume** |
| First | $0.75 | $0.46 | 1,190,000 |
| Second | $0.60 | $0.36 | 1,300,000 |
| Third | $0.43 | $0.21 | 866,000 |
| Fourth | $0.43 | $0.21 | 1,618,000 |
| **Total** | | | **4,974,000** |

# CORPORATE DIRECTORY

## CORPORATE OFFICE

Suite 900, 510 Burrard Street,
Vancouver, B.C. V6C 3A8
Tel: (604) 687-6600
Fax: (604) 687-3932
Email: info@aurizon.com

## OPERATIONS

Mines Aurizon ltée
C.P. 487, 1010 - 3rd Avenue East,
Val-d'Or, Quebec J9P 4P5
Tel: (819) 874-4511
Fax: (819) 874-3391
Email: aurizon@aurizon.qc.ca

## ANNUAL MEETING

2:00 o'clock Pacific Daylight Time,
Tuesday, June 15, 2004
3rd Floor Boardroom,
Computershare Trust Company of Canada
510 Burrard Street,
Vancouver, B.C. V6C 3B9

## TRANSFER AGENT & REGISTRAR

Computershare Trust Company of Canada
510 Burrard Street,
Vancouver, B.C. V6C 3B9
National Call Centre: 1-800-564-6253
Tel: (604) 661-0222
Fax: (604) 661-9480
Email: caregistryinfo@computershare.com

## LEGAL COUNSEL

DuMoulin Black
Barristers & Solicitors
10th Floor - 595 Howe Street,
Vancouver, B.C. V6C 2T5
Tel: (604) 687-1224
Fax: (604) 687-3635

## AUDITORS

PricewaterhouseCoopers LLP
250 Howe Street, Suite 700
Vancouver, B.C. V6C 3S7
Tel: (604) 806-7000
Fax: (604) 806-7806

## INVESTOR RELATIONS

For investor inquires and a investors package, including an Annual Report in French, please contact Investor Relations at:
Tel: (604) 687-6600
Fax: (604) 687-3932
Email: info@aurizon.com
Web Site: www.aurizon.com
Toll Free Can./U.S.: 1-888-411-GOLD

## STOCK EXCHANGE LISTINGS

Toronto Stock Exchange
Ticker Symbol: **ARZ**
The American Stock Exchange
Ticker Symbol: **AZK**

## CAPITALIZATION

| | |
|---|---|
| *Authorized* | |
| Common Shares: | 500,000,000 |
| Preferred Shares: | 100,000,000 |
| *Issued at December 31, 2003* | |
| Common Shares: | 97,362,619 |
| Fully diluted: | 107,262,826 |

## DIRECTORS

SARGENT H. BERNER [1]
RICHARD FAUCHER [1]
PETER FERDERBER
DAVID P. HALL
FRANK A. LANG
BRIAN S. MOORHOUSE, *Lead Director* [1, 2]
GERARD GAGNE [2]
ROBERT NORMAND [2]
WILLIAM E. VANCE
IAN S. WALTON

1 Member of Executive Compensation and Corporate Governance Committee

2 Member of Audit Committee

## MANAGEMENT

DAVID P. HALL, C.A.
*Chairman, President & Chief Executive Officer*

IAN S. WALTON, C.A.
*Executive Vice-President & Chief Financial Officer*

MICHEL GILBERT, ing.
*General Manager, Quebec*

JULIE A. STOKKE KEMP
*Corporate Secretary*

PATRICK D. SOARES, P.Geol.
*Manager, Investor Relations*

***Caution Concerning Forward Looking Statements**

This Annual Report contains "forward-looking statements", including, but not limited to, the statements regarding the Company's expectations as to the market price of gold, strategic plans, future commercial production, production targets and timetables, mine operating costs, capital expenditures, work programs, exploration budgets and mineral reserve and resource estimates. Forward-looking statements express, as at the date of this report, the Company's plans, estimates, forecasts, projections, expectations, or beliefs as to future events or results. Forward-looking statements involve a number of risks and uncertainties, and there can be no assurance that such statements will prove to be accurate. Therefore, actual results and future events could differ materially from those anticipated in such statements. Factors that could cause results or events to differ materially from current expectations expressed or implied by the forward-looking statements, include, but are not limited to, factors associated with fluctuations in the market price of precious metals, mining industry risks and hazards, environmental risks and hazards, uncertainty as to calculation of mineral reserves and resources, requirement of additional financing, risks of delays in construction and other risks more fully described in Aurizon's Annual Information Form filed with the Securities Commissions of the provinces of British Columbia, Ontario and Quebec, with the United States Securities and Exchange Commission (under Form 20-F), and with the Toronto Stock Exchange.

**PRINTED IN CANADA**

AURIZON

ANNUAL REPORT 2003

ARZ - TSX

AZK - AMEX